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DATE: 17 May 2018

AUDIT SUB-COMMITTEE INFORMATION BRIEFING

Meeting to be held on Thursday 24 May 2018

QUESTIONS ON THE INFORMATION BRIEFING

The Briefing comprises:

1 INTERNAL AUDIT PUBLISHED REPORTS (Pages 3 - 108)

1-Review of Southborough Primary School Audit for 2017/18

2-Review of Treasury Management Audit for 2017/18

3-Review of Children's Safeguarding for 2017/2018

4- Review of Compliance with the Intermediaries legislation (IR35)

5-Review of Contracts and Commissioning for the public Health Audit 2017/2018 GP Alliance

6-Review of Contracts and Commissioning for Public Health Audit 2017/2018; 0-4year old Health Visiting Service

7- Review of Children with Disabilities Audit for 2017/2018

8-Internal Audit Review of the Troubled Families Claims for the period 1st April 2017 to 31st March 2018

9-Review of Main Accounting System Audit for 2017/2018

10-Review of Contract sand Commissioning for Public Health Audit for 2017/2018. Point of Care Testing.

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

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

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

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



FINAL INTERNAL AUDIT REPORT

EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF SOUTHBOROUGH PRIMARY SCHOOL AUDIT FOR 2017-18

Issued to: Mr P Foley, Head Teacher

Cc: Mr N Cooper, Chair of Governors (final report only)
Schools Finance Team, (final report only)
Gillian Palmer, Interim Director of Education (final report only)
Ade Adetosoye, Executive Director of ECHS (final report only)

Prepared by: Principal Auditor

Date of Issue: 5th April 2018
Report No.: ECHS/19/2017/AU

REVIEW OF SOUTHBOROUGH PRIMARY SCHOOL AUDIT FOR 2017-18

INTRODUCTION

1. This report sets out the results of our systems based audit of Southborough Primary School Audit for 2017-18. The audit was carried out in quarter 4 as part of the programmed work specified in the 2017-18 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the school's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 22/01/18. The period covered by this report is from February 2017 to February 2018.

AUDIT SCOPE

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

MANAGEMENT SUMMARY

5. Internal Audit visited the school on the 27 and 28th February but due to inclement weather, suspended the testing on the second day and completed on the 15th March prior to the end of audit meeting. Controls were in place and working well in the areas of financial management, governance arrangements and for the primary accounting, voluntary funds, bank reconciliation, DBS checks, income and credit cards. However there were issues arising as follows:-
 - The expenditure process did not evidence adequate checks prior to authorisation
 - IR35 online questionnaires had not been completed to support all payments to named individuals and of the 2 that were evidenced neither were signed or dated.

REVIEW OF SOUTHBOROUGH PRIMARY SCHOOL AUDIT FOR 2017-18

- The income collected for charities had not been banked promptly and there was an inadequate audit trail to support the retention of income to offset specific costs.
- 1/5 additional hours claim forms had an arithmetic error that had not been identified by the approving or certifying officers or when the claims were input.
- The service and provider information shown on the contracts register should be clarified and start and end dates specified in all cases. 2 suppliers were identified that should be included on the contracts register.
- The lettings policy published on the school website is for the 2015-16 lettings charges.
- There is no regular reconciliation to agree that the income declared by the online income system weekly and posted to the school account agrees to the movement on the school meals accounts. The reconciliation of all income streams for meals is completed weekly but not retained. There is no distinction between pupil meals and adult meals on the paying slip or narrative on the ledger code although VAT is payable on adult meals.
- 1/5 asset items (chrome book) selected for audit checking could not be found at the time of the audit. The asset register stated 16 chrome books at this location but only 11 were evidenced.
- The pecuniary interest forms for the Governors and the Head Teacher were not available on site for the first visit but were evidenced on the 15/3/18.

SIGNIFICANT FINDINGS (PRIORITY 1)

6. None

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

AUDIT OPINION

REVIEW OF SOUTHBOROUGH PRIMARY SCHOOL AUDIT FOR 2017-18

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

ACKNOWLEDGEMENT

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

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
1	<p>From the bank history report, February 2017 to February 2018, a sample of 20 payments was selected for audit examination. The main issue arising was that the Head Teacher signs the payment advice slip but there is no authorised signature on the invoice.</p> <p>6 invoices showed no evidence of authorisation; 7 invoices had been signed by the Caretaker, 2 invoices signed by the higher teacher assistant and neither of these officers are specified on the authorised signatories list. However the school confirmed that these signatures were to confirm that the goods had been received or service delivered, not as an authorisation.</p> <p>One payment related to refurbishment works (Contractor A - £9,720). Competitive quotes had been obtained and the lowest accepted however it was noted that the invoice was less than the purchase order as the specification had been modified prior to work commencing. Good practice would suggest that revised quotes are sourced from all suppliers to confirm value for money however it is accepted that other factors such as availability and commitment would need to be considered and may impact on the decision to proceed.</p>	<p>Payments may not be made in compliance with Financial Regulations and the School's own procedures.</p>	<p>The school should review the expenditure process to ensure that all payments comply with Financial Regulations with regard to authorisation.</p> <p>The school should consider which officers are most appropriate to complete the checks on the invoice and sign to that effect, prior to authorisation.</p> <p>Compliance to Financial Regulations and waiver of these regulations should be evidenced by the Head Teacher and Chair of Governors signing to evidence the decision and an adequate audit trail.</p> <p>Priority 2</p>

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
2	<p>Payments to 5 named individuals were identified on the bank history report. Of these, 2 were supported by a printed questionnaire but not dated or signed; 1 had been transferred to payroll and 2 were one off payments but should still be supported by the online self -assessment.</p>	<p>Financial penalties imposed for non compliance to HMRC IR 35 Regulations.</p>	<p>The completed online questionnaires and outcome should be dated and authorised by the Head Teacher annually.</p> <p>To ensure compliance the online assessment should be completed to support any payment to a named individual.</p> <p>Priority 2</p>

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
3	<p>Audit testing identified 3 manual cheques drawn on the 18th and 19th December 2017 in respect of funds raised and payment to nominated charities. The corresponding income was posted to the bank history on the 15th January but reconciliation showed that £90 was outstanding and not banked until the 20th February and 6th March.</p> <p>Financial Regulations 11.4.1 states that <i>“all bankings must be made promptly”</i></p> <p>It was also noted that a purchase order for address labels (£34.59) had been raised on the 8th December. This value was deducted from the payment made to the charity to offset direct costs. There was no record of this undertaking on the supporting documentation. The cost had been assigned to the IT code and would rely on the SBM making a journal transfer at year end to correctly show the expenditure offsetting the donations income code.</p> <p>The income collected for charities had not been banked promptly and there was an inadequate audit trail to support the retention of income to offset specific costs.</p>	<p>Non compliance to Financial Regulations.</p> <p>Insurance limits for cash holdings breached.</p> <p>Inadequate audit trail to support financial transactions</p>	<p>All income should be banked promptly and intact.</p> <p>Supporting documentation, including orders and invoices should be annotated to allow an adequate audit trail and transparency of financial transactions.</p> <p>Priority 2</p>

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
4	<p>The payroll report for November 2017 was selected for audit testing. A sample of 5 payments for additional hours was checked to the payslips.</p> <p>The claimant signs the timesheet, countersigned by the line manager that the work has been undertaken and authorised by the Head Teacher. The SBM uploads the claims to the system.</p> <p>For 1 claim checked there was an arithmetic error that had not been identified by the approving or certifying officers or when the claims were input. Although the value is minimal it indicates a lack of checking and a need for an appropriate officer to verify that the claim is arithmetically correct.</p>	<p>Incorrect payments processed through the payroll system.</p>	<p>All staff to be reminded to check any claim form before submission and all certifying and authorising officers to be aware of their role and responsibility with regard to checking documents.</p> <p>Priority 2</p>

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
5	<p>The Contract Register was reported to Resources Committee on the 26/2/18. This is a comprehensive document that allows Governors to have an oversight of contractual arrangements. The service and provider columns have been transposed in some instances and end dates should be stated in all cases to allow timely consideration of service delivery. If a contract is rolled over annually the period of time since competitive tendering or market testing should be noted.</p> <p>From the bank history report payments to 24 suppliers were selected to check to the contract register. Two providers had been omitted (Contractor B and C) and should be added to the register.</p>	<p>Contractual arrangements may not be transparent.</p> <p>Governors have insufficient information to enable informed decisions regarding contractual arrangements for the school.</p>	<p>Update the contracts register with the two providers identified.</p> <p>Correct the service and provider columns and update start and end dates for all contracts. Report the original start dates for contracts that have been rolled over annually.</p> <p>Priority 3</p>
6	<p>The Lettings Policy and Charges are reviewed and approved by Governors annually but the lettings policy published on the school website is for the 2015-16 lettings charges.</p>	<p>Incorrect information displayed on a public document</p>	<p>The school should ensure that the information published on the school website is current, specifically the lettings charges.</p> <p>Priority 3</p>

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
7	<p>The school receives income via the online income system, cash and cheques. The school meals income for January 2018 was tested to show that income collected was banked and posted to the ledger code. Two issues arising:-</p> <ul style="list-style-type: none"> • There is no regular reconciliation to agree that the income declared by the online income system weekly and posted to the school account agrees to the movement on the school meals accounts. • The reconciliation of all income streams for meals is completed weekly but not retained. There is no distinction between pupil meals and adult meals on the paying slip or narrative on the ledger code although VAT is payable on adult meals. 	Income due is not collected	<p>The school should evidence a sample check to reconcile the online income system invoices to the school system. The frequency of this check to be determined by the school but it is suggested termly.</p> <p>The reconciliation of income streams for school meals should be retained as supporting documentation. Income from pupil and adult meals should be specified.</p> <p>Priority 2</p>

DETAILED FINDINGS

No.	Finding	Risk	Recommendation
8	<p>The asset register is maintained on the system but evidenced a hard copy signed by the Head Teacher. The school need to confirm the security of the asset register folder and consider password protecting the document or limiting access.</p> <p>A sample of 5 items was selected from the register for a physical check on the 15/3/18; 1/5 items (chrome book) could not be located. The asset register stated 16 chrome books at this location but only 11 were evidenced.</p>	<p>Security of assets may be compromised and breached.</p> <p>Cost to the school to replace lost items.</p>	<p>The school should consider the security arrangements and back up of the asset register retained on the system.</p> <p>The school should account for the missing items.</p> <p>Priority 2</p>
9	<p>The pecuniary interest forms for the staff were checked and verified at the start of the audit however the signed declarations for the Governors and Head Teacher were not available for inspection as the forms are held by the clerk of Governors, off site.</p> <p>The pecuniary interest forms for the Governors and the Head Teacher were satisfactorily evidenced on the 15/3/18.</p>	<p>Governors/Staff may be involved in making financial and/or business decisions relating to organisations which they have a pecuniary interest without the school knowing.</p>	<p>The completed pecuniary interest forms should be retained on the school site.</p> <p>Priority 3</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>The school should review the expenditure process to ensure that all payments comply with Financial Regulations with regard to authorisation.</p> <p>The school should consider which officers are most appropriate to complete the checks on the invoice and sign to that effect, prior to authorisation.</p> <p>Compliance to Financial Regulations and waiver of these regulations should be evidenced by the Head Teacher and Chair of Governors signing to evidence the decision and an adequate audit trail.</p>	2	<p>The school has already introduced the additional level of signatures with the finance officer signing to confirm that she has completed checks on the invoice and the Headteacher now authorising the invoice for payment.</p> <p>The changing of the specification was a late decision and was discussed. Should this happen in future an audit trail of evidence will be attached to the order.</p>	<p>Finance Officer and Headteacher</p> <p>Headteacher / SLT / GB</p>	<p>Immediate and ongoing</p> <p>If such a situation arose.</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	<p>The completed online questionnaires and outcome should be dated and authorised by the Head Teacher annually.</p> <p>To ensure compliance the online assessment should be completed to support any payment to a named individual.</p>	2	<p>On line questionnaires are now being signed and dated on an as and when basis. A log of checks will be completed to ensure the toolkit questionnaire is re-done at a maximum of one year intervals for regular providers.</p> <p>The Headteacher will be asked to authorise each new check before payment is made to the individual.</p>	Headteacher/ SBM / Finance Officer	Immediate and ongoing

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	<p>All income should be banked promptly and intact.</p> <p>Supporting documentation, including orders and invoices should be annotated to allow an adequate audit trail and transparency of financial transactions.</p>	2	<p>All staff involved in banking monies have been reminded of the financial requirements re regular banking and the cash limit on the safe.</p> <p>The use of bi-weekly security collections to save money will be monitored in case of safe limit being reached.</p> <p>Orders/invoices will be annotated in future on the rare occasion that a journal to offset expenditure is required.</p>	<p>All office staff</p> <p>Office staff/ SBM</p> <p>SBM/Finance officer</p>	Immediate and ongoing.
4	<p>All staff to be reminded to check any claim form before submission and all certifying and authorising officers to be aware of their role and responsibility with regard to checking documents.</p>	2	<p>All staff have been reminded by email of need to check timesheets. Line managers who sign to confirm hours have been worked are asked to make second check and further checks will be made by SBM and Headteacher .</p>	<p>Individual staff/ Line Managers / SBM and Headteacher.</p>	For March 2018 claims and ongoing

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	<p>Update the contracts register with the two providers identified.</p> <p>Correct the service and provider columns and update start and end dates for all contracts. Report the original start dates for contracts that have been rolled over annually.</p>	3	The contracts register will be updated as recommended.	SBM	For GB Resources on 14 th May and ongoing thereafter
6	<p>The school should ensure that the information published on the school website is current, specifically the lettings charges.</p>	3	<p>The lettings charges document has been replaced on the website.</p> <p>A meeting had been arranged on 26th April 18 to review other policies on the website.</p>	SBM / Headteacher/ relevant staff re individual policies	<p>Lettings already completed.</p> <p>Other policies – Summer 2018.</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
7	<p>The school should evidence a sample check to reconcile the online income system invoices to the school system. The frequency of this check to be determined by the school but it is suggested termly.</p> <p>The reconciliation of income streams for school meals should be retained as supporting documentation. Income from pupil and adult meals should be specified.</p>	2	<p>A check was completed for the week of 7 – 13 March and reconciled to amount received from parentpay. Further checks will be done towards the end of each term.</p> <p>The reconciliation regarding adult and pupils meals cash and cheque payments will now be kept as a print out when banked to show it corresponds to pay in slip.</p> <p>Individual and group school meal and galaxy accounts are accessed regularly within the income collection module. We believe this provides a regular up to date and accurate picture of debts and credits.</p>	<p>SBM</p> <p>Finance Officer / Admin Asst.</p>	<p>Initial completed – termly thereafter.</p> <p>Immediate</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
8	<p>The school should consider the security arrangements and back up of the asset register retained on the system.</p> <p>The school should account for the missing items.</p>	2	<p>A copy of the asset register is stored in the safe. The document is password protected and backed up nightly. The password is stored in a sealed envelope in the safe.</p> <p>The IT coordinator (who was away on school journey at the time of the asset check) reported that there were 28 chrome books on the asset register. 25 of these were in the two cabinets and 3 in her cupboard for repair or disposal – so all accounted for.</p>	Staff will continue to update register as before.	N/A
9	<p>The completed pecuniary interest forms should be retained on the school site.</p>	3	<p>All forms are now in school and the clerk will be asked to return promptly in future. The compiled list of interests was in school, so the school would have been aware regarding any conflict of interest.</p>	Clerk to Governors/SBM.	Yearly on completion of forms or on appt of new staff.

SCHOOLS OPINION DEFINITIONS

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

Assurance Level

Definition

Full Assurance

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

Substantial Assurance

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

Limited Assurance

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

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse.

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF TREASURY MANAGEMENT AUDIT FOR 2017/18

Issued to: Tracey Pearson, Chief Accountant, Technical and Control
James Mullender, Principal Accountant, Technical and Control

Cc: Peter Turner, Director of Finance

Prepared by: Senior Auditor (Audit contractor on behalf of LBB)

Reviewed by: Principal Auditor

Date of Issue: 27 April 2018

Report No.: CX/14/12/2017

REVIEW OF TREASURY MANAGEMENT AUDIT FOR 2017-18

INTRODUCTION

1. This report sets out the results of our systems based audit of Treasury Management for 2017-18. The audit was carried out in quarter Q4 as part of the programmed work specified in the 2017-18 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist the overall effectiveness of operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 1st February 2018. The period covered by this report is from April 2017 to February 2018.
4. As at the end of January 2018, total investments held by the Council amounted to £322.2m. The key areas of investment were fixed deposits with a wide variety of UK financial institutions including Company 'A' (£80m), Company 'B' (£50m), Company 'C' (£20m), Company 'D' (£15m) and Company 'E' (£10m). A further £10m each was invested with a County Council, Housing Associations, and £80m in pooled funds (£40m with a charity fund manager, £30m with Company 'F' and £5m each with Company 'G' and Company 'H'). In addition, there was a loan of £2.3m to a Project Company and £34.9m in Money Market funds.
5. The Council has not made any borrowings in the last 12 months and there are no borrowings outstanding.

AUDIT SCOPE

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

AUDIT OPINION

REVIEW OF TREASURY MANAGEMENT AUDIT FOR 2017-18

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

MANAGEMENT SUMMARY

8. Controls were in place and working well in the following areas:

- The Council's financial position is regularly assessed;
- Investment records are complete and correct;
- All relevant investments have been fully incorporated and management ensure compliance to the investments processes;
- Monthly reconciliations are being performed to ensure that the journals are complete and accurate by reviewing the online accounts;
- Staff are trained and qualified;
- Investments are being made to maximise returns to the Council; and
- Relevant investment related information is supplied to senior management on a regular basis.

9. The following issues have been identified from our testing:

- In some instances, investments in Money Market Funds had not been made at the highest annual rate of return available and an audit trail to support the reasoning behind these decisions was not maintained;
- The Council has not sought assurance from its Investment Managers relating to the design and operating effectiveness of the internal controls in place over their systems for financial reporting; and
- Segregation of duties was not evidenced in the quarterly investments reconciliations performed.

REVIEW OF TREASURY MANAGEMENT AUDIT FOR 2017-18

10. The Technical and Control team currently use a software provider's application to record details of the Council's fixed term treasury management investments. We were informed during our review that the number of these has reduced significantly in recent years because more money has been placed into pooled funds. The annual licence fee for using this software is £2,254.00 and the team are proposing in future to maintain these records on spreadsheets instead, supported by the hard copy files. We have discussed this with the Principal Accountant and are content with the proposed arrangements.
11. We also noted during the course of our audit that a new member of staff was due to start and the team were therefore proposing to update their treasury management procedures once he was established in the post.

SIGNIFICANT FINDINGS (PRIORITY 1)

12. No significant findings were identified during this review.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

ACKNOWLEDGEMENT

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1.	<p>Investments in Money Market Funds (MMF)</p> <p>Through discussions with the Principal Accountant, it was established that on a mainly daily basis, investments are made into or redeemed from Money Market Funds (detailed within the Treasury Management Practices) at the highest yield rate of return. The rates return information is received and updated on a daily basis. As investments are required to be made by 1pm, the previous day's rates sometimes have to be used when the rates haven't been updated on a company portal used for making the investments.</p> <p>There was no correspondence between the Capital Accountant and Principal Accountant or other documents to provide a rationale and approval for the investment decisions made. It was explained that, as the Capital Accountant and the Principal Accountant work alongside each other, confirmation of these investments is verbal.</p>	<p>There is a risk that optimal investment decisions are not being made.</p>	<p>An audit trail of MMF investment decisions made should be maintained, detailing the rationale and approval of these investments.</p> <p>[Priority 3]</p>

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

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

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2.	<p>Design and operating effectiveness of controls</p> <p>Through discussions with the Principal Accountant, it was established that the Council currently does not seek assurance from its Investment Managers relating to the design and operating effectiveness of the internal controls in place over their financial reporting.</p> <p>The Council could request a Systems of Control 1 (SOC1) report from its Investment Managers. The SOC1 report provides an independent third party assurance on the suitability of the design and operating effectiveness of the internal controls in place over funds invested and managed on behalf of the London Borough of Bromley.</p>	<p>There is a risk that the Investment Managers who manage investments on behalf of the Council do not have effective controls in place, resulting in potential threat to the London Borough of Bromley's investments in these funds.</p>	<p>Management should seek relevant assurance (such as a SOC1 report) from its Investment Managers over their internal controls for financial reporting.</p> <p>[Priority 3]</p>

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

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

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3.	<p>Quarterly reconciliations</p> <p>The Treasury Management team perform investment reconciliations on a quarterly basis.</p> <p>Examination of two of these reconciliations, for April to June 2017 and for July to September 2017, confirmed that both of these had been evidenced as checked, but because these reconciliations did not detail who had prepared them, appropriate segregation of duties could not be confirmed.</p>	<p>There is a risk that the process is not subject to segregation of duties, resulting in errors and omissions not being identified in a timely manner and actioned appropriately. This which may lead to financial or reputational consequences for the Council.</p>	<p>Management should consider including a version history control within the quarterly reconciliation document. This version control should detail (but is not limited to):</p> <ol style="list-style-type: none"> 1. The preparing officer; 2. Date prepared; 3. The reviewing officer; and 4. Date of review. <p>[Priority 3]</p>

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

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

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1.	An audit trail of MMF investment decisions made should be maintained, detailing the rationale and approval of these investments.	3	Agreed, for when the current day's rate is not available. It should be noted that (historically) the movement in MMF rates day to day is very small, so any 'loss' as a result of e.g. choosing a fund based the previous day's rates is most likely negligible	Principal Accountant	June 2018
2.	Management should seek relevant assurance (such as a SOC1 report) from its Investment Managers over their internal controls for financial reporting.	3	Agreed	Principal Accountant	June 2018

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

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

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3.	Management should consider including a version history control within the quarterly reconciliation document. This version control should detail (but is not limited to): <ol style="list-style-type: none"> 1. The preparing officer; 2. Date prepared; 3. The reviewing officer; and 4. Date of review. 	3	Agreed	Principal Accountant	June 2018

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

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

Priority 3
 Identification of suggested areas for improvement

OPINION DEFINITIONS

APPENDIX C

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

Assurance Level

Definition

Full Assurance

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

Substantial Assurance

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

Limited Assurance

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

No Assurance

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

FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF CHILDREN'S SAFEGUARDING FOR 2017-18

Issued to: Janet Bailey, Director Children's Social Care
David Dare, Head of Service Safeguarding & Care Planning West
Carol Whiting, Head of Service Safeguarding & Care Planning East

Cc: Ade Adetosoye, Deputy Chief Executive, Executive Director, ECHS (Final Only)
David Bradshaw, Head of Finance ECHS
Naheed Chaudhry, Assistant Director Strategy Performance and Business Support

Prepared by: Senior Internal Auditor (Audit contractor on behalf of LBB)

Date of Issue: 2nd May 2018

Report No.: ECHS/05/2017/AU

REVIEW OF CHILDREN'S SAFEGUARDING FOR 2017-18

INTRODUCTION

1. This report sets out the results of our systems based audit of Children's Safeguarding for 2017/18. The audit was carried out in quarter 4 as part of the programmed work specified in the 2017-18 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 22 February 2018.
4. A process is in place for Children's Safeguarding. Between 1st April 2017 and 1st March 2018 there have been 467 Closed Children's Safeguarding cases. As of 1st March 2018 there were 675 Open Children's Safeguarding cases.

AUDIT SCOPE

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

AUDIT OPINION

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

MANAGEMENT SUMMARY

7. Controls noted to be in place and working well, based on the sample testing conducted, included:
 - Policies and procedures were in place and available to staff;
 - Referrals were being received and recorded on CareFirst in a timely manner;
 - Assessments were completed and recorded on CareFirst in a complete and timely manner;
 - A Child Protection Plan or Children in Need Plan was developed and monitored against where required;

REVIEW OF CHILDREN'S SAFEGUARDING FOR 2017-18

- Regular monitoring meetings took place to monitor children;
 - The safeguarding process was closed and appropriately approved where the safeguarding concern had been removed; and
 - Management information was produced and reviewed on a weekly basis.
8. However, we would like to bring to management attention the following issues:
- Staff were not all following the same practices with regards to use of CareFirst/CareStore; and
 - Not all staff had completed regular training sessions related to Children's Safeguarding.

SIGNIFICANT FINDINGS (PRIORITY 1)

9. There were no priority one recommendations raised as part of this audit.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

ACKNOWLEDGEMENT

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

REVIEW OF CHILDREN’S SAFEGUARDING FOR 2017-18

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1	<p><u>Use of CareFirst/CareStore</u></p> <p>Whilst undertaking testing of a sample of Children’s Safeguarding cases, it was identified that staff members were using inconsistent document names. In addition, documentation regarding Children’s Safeguarding cases was found to be stored in inconsistent locations on CareFirst/CareStore.</p> <p>As a result, locating the documentation for testing took more time. However, all the required documentation was located.</p>	<p>Where staff members store documentation and information in inconsistent locations and use inconsistent document names there is a risk that this information will not be easily accessible if required. This could result in duplication of work or work not being completed.</p>	<p>Staff should be reminded and, if appropriate, further training provided to ensure that staff use consistent document names and locations to save documentation.</p> <p>(Priority 3)</p>

REVIEW OF CHILDREN’S SAFEGUARDING FOR 2017-18

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
2	<p>Training</p> <p>Examination of training logs provided by the Workforce Development Officer identified that some staff had not received any training related to Children’s Safeguarding in the last 12 months.</p> <p>Discussions with the Workforce Development Officer confirmed that it was not fully known why all staff have not undertaken training. The Workforce Development Officer said that this may be due to the fact that the officers did not require the training or they have not had a chance to complete the training, however there was no definitive answer provided.</p> <p>Discussions also confirmed that the Workforce Development team are due to implement new training materials in 2018 which will specify the training required for different teams.</p>	<p>Where staff do not receive adequate and regular training there is a risk that staff may be inefficient and ineffective in carrying out their duties. This could result in the Council suffering a financial loss and low staff morale because of poor performance.</p>	<p>Management should review training programmes to ensure that there is a set standard for what training related to Children’s Safeguarding is required for different job roles and the timeframes in which this training should be completed</p> <p>Training records should be better maintained to show where staff require training and have not completed it, rather than just showing where staff have not completed the training with no reasoning.</p> <p>Where training has not been completed and it is required, management should be informed of these staff so that training can be appropriately scheduled.</p> <p>(Priority 2)</p>

REVIEW OF CHILDREN'S SAFEGUARDING FOR 2017-18

APPENDIX B

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Staff should be reminded and, if appropriate, further training provided to ensure that staff use consistent document names and locations to save documentation.	3	Practice Note to be sent out with list and observation to be placed	HOS	Ongoing
2	<p>Management should review training programmes to ensure that there is a set standard for what training related to Children's Safeguarding is required for different job roles and the timeframes in which this training should be completed.</p> <p>Training records should be better maintained to show where staff require training and have not completed it, rather than just showing where staff have not completed the training with no reasoning.</p> <p>Where training has not been completed and it is required, management should be informed of these staff so that training can be appropriately scheduled.</p>	2	<p>All completed and signed off by the Director week ending 28.4.18</p> <p>We have quarterly bespoke training</p> <p>Discuss document will pick up training needs and development</p> <p>1-1 Supervision records will contain information about training/development undertaken and how this will improve practice.</p> <p>Attendance sent out to HOS and regularly reported to R & R Board.</p> <p>Workforce Development attend SMT regularly.</p>	<p>Director and Workforce Development</p> <p>HOS</p> <p>HOS</p> <p>Workforce Development</p>	<p>Completed</p> <p>April 2018</p> <p>Ongoing</p> <p>Monthly R & R Board & Governance Board updates</p>

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

Assurance Level

Definition

Full Assurance

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

Substantial Assurance

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

Limited Assurance

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

No Assurance

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

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FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF COMPLIANCE WITH THE INTERMEDIARIES LEGISLATION (IR35)

Issued to: Charles Obazuaye, Director of HR
Peter Turner, Director of Finance
Emma Downie, HR Information and Systems Manager
Kim Clark, HR Information, Systems and Reward Officer
Anne King, HR Officer, Pay and Reward

Prepared by: Assistant Audit Manager (Audit contractor on behalf of London Borough of Bromley) and Principal Auditor

Reviewed by: Audit Manager (Audit contractor on behalf of London Borough of Bromley) and Head of Audit

Date of Issue: 9 May 2018

Report No.: CEX/016/2017

REVIEW OF COMPLIANCE WITH THE INTERMEDIARIES LEGISLATION (IR35)

INTRODUCTION

1. This report sets out the results of our systems based audit of compliance with the Intermediaries Legislation (IR35). The audit was carried out in quarter 3 as part of the programmed work specified in the 2017-18 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 30 October 2017.
4. The IR35 is a tax law. It is properly known as the Intermediaries Legislation and came into force in April 2000 as part of the Finance Act. It is designed to combat tax avoidance by workers supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used. Such workers are called 'disguised employees' by Her Majesty's Revenue and Customs (HMRC).
5. Public authorities are responsible for deciding if off-payroll working rules apply in the public sector. If the rules apply, the public authority, agency or other third party who is responsible for paying the worker's intermediary must deduct employment tax and Class 1 NICs and pay and report them to HM Revenue and Customs (HMRC).

AUDIT SCOPE

6. The scope of the audit is detailed in the Terms of Reference issued on 30 October 2017.

AUDIT OPINION

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

REVIEW OF COMPLIANCE WITH THE INTERMEDIARIES LEGISLATION (IR35)

MANAGEMENT SUMMARY

8. We confirmed with the Director of HR during our audit that oversight responsibility for compliance with the legislation rests with HR. We established that IR35 assessment checks should be carried out by managers before asking for a new supplier for the engagement of additional resources to be set up by Liberata. Every two months, HR receive a report from the Finance Directorate and check to identify any supplier set up during that period which is a Personal Services Company (PSC) or a self employed worker. HR then establish whether or not an IR35 assessment has been completed by the manager concerned and also a business case completed and signed.
9. HR provided us with information showing that during the period 1 April 2017 to 31 January 2018 there were 3 out of 232 new suppliers set up who were identified by HR as a 'Personal Services Company' or a self employed worker and where an IR35 assessment had not been completed. When these 3 cases were identified, HR informed the appropriate manager and requested that IR35 assessment check was completed, together with a completed and signed business case.
10. We have therefore made a Priority 1 recommendation for HR to remind managers to ensure that IR35 assessment checks on new suppliers of additional resources, to confirm that they are IR35 compliant, are carried out by the relevant managers before they are formally engaged and set up on the Oracle financial system. HR should escalate immediately to the relevant Director any incident of non-compliance identified, to consider what action should be taken.
11. There are also 10 Independent Social Workers (ISWs) whose cases are under consideration. We were informed by HR that these ISWs are part of the sample originally tested by the HMRC and who the HMRC thought should be classed as 'office holders'. There is however no clear rationale for this classification and this has been queried with the HMRC by HR. An officer at HMRC is pursuing the Council's request with the HMRC policy unit that the ISWs are not designated as office holders for IR35 purposes.
12. In the meantime, these 10 ISWs have been paid by invoice through the accounts payable system while awaiting the outcome of the HMRC decision. We were informed by HR that that course of action was agreed by the Deputy Chief Executive and Executive Director of ECHS, Director of Finance and Portfolio Holder for Resources at an ad-hoc meeting held. There are, however, no documented minutes of that meeting available.
13. Controls noted to be in place and working well included:
 - The Council has a defined policy on implementation of IR35;
 - The Council provides training and supporting information to managers on the requirement to comply with IR35;

REVIEW OF COMPLIANCE WITH THE INTERMEDIARIES LEGISLATION (IR35)

- The Council liaises with intermediary agency suppliers to confirm their IR35 arrangements; and
- The Council performs bi-monthly checks of postings to budget codes to identify payments to undisclosed Personal Service Companies.

14. However, we would like to bring to management attention the following issues:

- IR35 assessment checks are not always performed on new suppliers of additional resources prior to them being engaged and set up on the Oracle financial system;
- Guidance and procedure notes relating to compliance with the IR35 legislation do not have review dates or a responsible officer for the documents cited;
- The Council does not maintain a single source record listing all of its agency workers, interims and contractors or Council workers operating as a Personal Services Company (PSC);

SIGNIFICANT FINDINGS (PRIORITY 1)

15. IR35 assessment checks are not always performed on new supplier requests prior to suppliers being set up on the Oracle financial system.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

ACKNOWLEDGEMENT

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

REVIEW OF COMPLIANCE WITH THE INTERMEDIARIES LEGISLATION (IR35)

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1	<p>Supplier Set-Up</p> <p>Every two months, HR receive a report from the Finance Directorate and check to identify any supplier set up during that period which is a Personal Services Company (PSC).</p> <p>They then establish whether or not an IR35 assessment has been completed by the manager concerned and also a business case completed and signed. This means that IR35 assessment checks are not performed on new supplier requests prior to suppliers being set up on the Finance System.</p> <p>During the period 1 April 2017 to 31 January 2018 there were 3 out of 232 new suppliers set up who were identified by HR as a 'Personal Services Company' and where an IR35 assessment had not been completed.</p> <p>When these 3 cases were identified, HR informed the appropriate manager and requested that an IR35 assessment check was completed, together with a completed and signed business case.</p>	<p>Where there are insufficient controls in place to ensure that the employment status of suppliers are assessed and correctly set up in line with the IR35 requirements, there is the risk of incidents of non-compliance not being addressed.</p>	<p>HR should remind managers to ensure that an IR35 assessment check is carried out on the chosen supplier of a service, by the relevant manager, before the supplier is formally engaged for the role and set up on the Oracle financial system. HR should escalate immediately to the relevant Director any incident of non-compliance identified, to consider what action should be taken.</p> <p>(Priority 1)</p>

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

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

Priority 3
Identification of suggested areas for improvement

REVIEW OF COMPLIANCE WITH THE INTERMEDIARIES LEGISLATION (IR35)

APPENDIX A

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>There were also 10 Independent Social Workers whose cases were under consideration. We were informed by HR that these ISWs were part of the sample originally tested by the HMRC and who the HMRC thought should be classed as 'office holders'. There is, however, no clear rationale for this classification and this has been queried with the HMRC by HR. An officer at HMRC is pursuing the Council's request with the HMRC policy unit that the ISWs are not designated as office holders for IR35 purposes.</p> <p>In the meantime, these 10 ISWs have been paid by invoice through the accounts payable system while awaiting the outcome of the HMRC decision. We were informed by HR that that course of action was agreed by the Deputy Chief Executive and Executive Director of ECHS, Director of Finance and Portfolio Holder for Resources at an ad-hoc meeting held. There are, however, no documented minutes of that meeting available however.</p> <p>There is no requirement in place for Liberata to consider IR35 requirements prior to setting up suppliers on the Finance System.</p>		

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

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

Priority 3
Identification of suggested areas for improvement

REVIEW OF COMPLIANCE WITH THE INTERMEDIARIES LEGISLATION (IR35)

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
2	<p><u>Policies and Procedures</u></p> <p>We noted that there is a manual for the engagement of additional resources and which details the approved procedure to be adopted in the engagement of self-employed individuals, consultants and any other non-standardised workers. This is in draft form having been recently revised, and is currently with the Director of HR for approval.</p> <p>Examination of the manual noted that it is not dated or version controlled.</p> <p>There is also a Managers' Tool Kit in place, which includes practice notes providing guidance on the use of consultants. Examination of the Managers Tool Kit noted that it was last updated in July 2012.</p> <p>The Procedure Guidance Note - Contracting of Professional and Consultancy Services that sets out the stages and process to be followed in the procurement of professional services is not dated or version controlled and, as such, we were unable to determine the age of the document. Examination of the document noted that consideration is not given to compliance with the IR35 requirements.</p>	<p>Where guidance and procedure notes relating to the engagement of self-employed individuals, consultants and any other non-standardised workers are not up to date and do not make appropriate reference to IR35 legislation, there is a risk that tasks are carried out incorrectly resulting in staff not complying with statutory requirements.</p>	<p>The procedure manuals covering key processes relating to the engagement of self-employed individuals, consultants and any other non-standardised workers, should be periodically reviewed to ensure that these are up to date and in line with legislative requirements. All documents should detail the review dates, future review date as well as the officer responsible for the review even when no changes are made. (Priority 2)</p>

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

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

Priority 3
Identification of suggested areas for improvement

REVIEW OF COMPLIANCE WITH THE INTERMEDIARIES LEGISLATION (IR35)

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
3	<p><u>Records</u> The Contract Procedure Rules, dated October 2016, paragraph 8.6.3 requires that, 'Records of Consultancy appointments shall be kept in accordance with Rule 6.' We established that there is no single source record maintained in the Council listing all its agency workers, interims and contractors or Council workers operating as a Personal Services Company (PSC). In the absence of a single record, managers should be reminded of the need to ensure that local records of these are maintained.</p>	<p>Where the Council does not identify and recognise its off-payroll engagements, there is a risk of off-payroll engagements not being subject to the correct procedures to manage compliance.</p>	<p>In the absence of a single record, managers should be reminded to ensure that local records are maintained of all agency workers not engaged through the agency staff contractor, interims and contractors who are operating as a Personal Services Company (PSC). (Priority 2)</p>

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

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

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	HR should remind managers to ensure that an IR35 assessment check is carried out on the chosen supplier of a service, by the relevant manager, before the supplier is formally engaged for the role and set up on the Oracle financial system. HR should escalate immediately to the relevant Director any incident of non-compliance identified, to consider what action should be taken.	1	<p>This is the agreed process as defined in the Procedure for the Engagement of Additional Resources. HR will ensure that managers are reminded of the agreed process through publication of the updated and revised version of the Procedure for the Engagement of Additional Resources.</p> <p>It will be reinforced through various communication channels such as Corporate Leadership Team meetings, Managers' Briefings and Inform.</p>	Director of HR	31 May 2018

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

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

Priority 3
 Identification of suggested areas for improvement

REVIEW OF COMPLIANCE WITH THE INTERMEDIARIES LEGISLATION (IR35)

APPENDIX B

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	<p>The procedure manuals covering key processes relating to the engagement of self-employed individuals, consultants and any other non-standardised workers, should be periodically reviewed to ensure that these are up to date and in line with legislative requirements.</p> <p>All documents should detail the review dates, future review date as well as the officer responsible for the review even when no changes are made.</p>	2	<p>The Procedure for the Engagement of Additional Resources has been reviewed and updated following the changes in legislation in April 2017. It now contains a review date and future review date. The Director of HR is the responsible officer.</p> <p>HR will put the updated version on the Managers' Tool Kit on OneBromley and liaise with the Commissioning Team to ensure that the 'Procedure Guidance Note - Contracting of Professional and Consultancy Services' is dated, version controlled with responsibility stated and appropriate referenced to IR35 compliance.</p>	Director of HR	31 May 2018

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

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

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	In the absence of a single record, managers should be reminded to ensure that local records are maintained of all agency workers not engaged through the agency staff contractor, interims and contractors who are operating as a Personal Services Company (PSC).	2	HR obtain confirmation from managers using other agencies that they have written evidence that the agency is deducting PAYE and National Insurance. HR will remind managers that local records of all agency workers not engaged through the agency staff contractor, interims and contractors who are operating as a Personal Services Company should be kept and maintained.	Director of HR	31 May 2018

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

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

Priority 3
 Identification of suggested areas for improvement

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

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

FINAL INTERNAL AUDIT REPORT

EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH AUDIT FOR 2017-18 GP ALLIANCE

Issued to: Nada Lemic, Director of Public Health
Gillian Fiumicelli, Head of Vascular Disease Prevention Programme

Cc (Final only) Ade Adetosoye OBE, Deputy Chief Executive and Executive Director, Education, Care and Health Services
Naheed Chaudhry, Assistant Director Strategy, Performance and Business Support
David Bradshaw, Head of Education, Care and Health Services Finance

Prepared by: Principal Auditor

Date of Issue: 27/04/2018

Report No: ECHS 16/2017/AU

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH 2017-18 – GP ALLIANCE

INTRODUCTION

1. This report sets out the results of our systems based audit of Contracts and Commissioning for Public Health - GP Alliance. The audit was carried out in quarter four as part of the programmed work specified in the 2017/18 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

AUDIT SCOPE

3. The scope of the audit was outlined in the Terms of Reference issued on 19th February 2018.

AUDIT OPINION

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

MANAGEMENT SUMMARY

5. The GP Alliance was commissioned as a provider of NHS Health Checks to eligible people in Bromley, aged 40 to 74 and without evidence of Cardiovascular disease, in areas of low uptake in the borough. The six month contract commenced on 1st October 2017 during which time the GP Alliance was commissioned to complete a maximum of 500 Health Checks at a price of £24.00 per completed Health Check. As at the 23rd March, 158 Health Checks had been invoiced (October 17 – January 18) at a total cost of £3,792.

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH 2017-18 – GP ALLIANCE

6. Controls were in place and working well in the areas of data management and analysis.
7. Our testing identified the following issue which we would like to draw to management's attention:-
 - Three of the four orders for the GP Alliance contract had been raised after the date of the invoice, with the fourth raised on the same day. An official order, or its equivalent, should be raised in a timely manner for all goods, works and services to ensure that financial commitments are reflected in budget monitoring although Financial Regulations, para 6.7 does cite an exception (i) 'Where a specific formal contract exists which does not incorporate any facility for the regular draw-down of services'. In this case, it is recommended that Public Health either raises one order for the total value of the contract (500 x £24) or, on receipt of the dataset 'Data Requirement 4' raises an order for the number of Health Checks agreed as completed for the month.

SIGNIFICANT FINDINGS (PRIORITY 1)

8. There are no Significant findings.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

ACKNOWLEDGEMENT

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

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH AUDIT 2017-18 – GP ALLIANCE

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1	<p>An Oracle data extract showed that three of the four orders sampled had been raised after the date of the invoice and the fourth was raised on the same day.</p> <p>Where orders are not raised in a timely manner, the budget commitment will be inaccurately reflected.</p> <p>This will also be addressed as part of the Creditors Audit which is currently in course.</p>	<p>If orders are not raised in a timely manner, commitments will not be reflected in budget monitoring</p>	<p>As the contract with the GP Alliance does not incorporate a facility for the regular draw down of goods/services, it is recommended that Public Health either raises one order for the total value of the contract (500 x £24) or, on receipt of the dataset 'Data Requirement 4' raises an order for the number of Health Checks agreed as completed for the month.</p> <p>[Priority 3]</p>

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

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

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	As the contract with the GP Alliance does not incorporate a facility for the regular draw down of goods/services, it is recommended that Public Health either raises one order for the total value of the contract (500 x £24) or, on receipt of the dataset 'Data Requirement 4' raises an order for the number of Health Checks agreed as completed for the month.	3	Public Health will review and make changes to the process when the purchase orders are raised. Once the data has been validated and the amount to be paid calculated, the purchase order will be raised when the invoice is requested. This will ensure financial commitments will be reflected in budget monitoring.	Head of Vascular Disease Prevention Programme	June 2018

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

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

Priority 3
Identification of suggested areas for improvement

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

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

FINAL INTERNAL AUDIT REPORT

EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH AUDIT FOR 2017-18 0-4 YEAR OLD HEALTH VISITING SERVICE

Issued to: Nada Lemic, Director of Public Health
Jenny Selway, Consultant in Public Health

Cc (Final only) Ade Adetosoye, OBE, Deputy Chief Executive and Executive Director, Education, Care and Health
Naheed Chaudhry, Assistant Director Strategy, Performance and Business Support
David Bradshaw, Head of Education, Care and Health Services Finance

Prepared by: Principal Auditor

Date of Issue: 27/04/2018

Report No: ECHS 17/2017/AU

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH AUDIT FOR 2017-18 0-4 YEAR OLD HEALTH VISITING SERVICE

INTRODUCTION

1. This report sets out the results of our systems based audit of Contracts and Commissioning for Public Health (0-4 Year Old Health Visiting Service, incorporating Family Nurse Partnership). The audit was carried out in quarter four as part of the programmed work specified in the 2017/18 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

AUDIT SCOPE

3. The scope of the audit was outlined in the Terms of Reference issued on 19th February 2018.

AUDIT OPINION

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

MANAGEMENT SUMMARY

5. Contractor A was commissioned to deliver the 0-4 year old Health Visiting Service (incorporating Family Nurse Partnership) as a single contract for three years commencing 1st October 2017. The contract has a whole life value of £9,865,428 with 1/36th of the amount (£274,039.67) being invoiced monthly in advance.

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH AUDIT FOR 2017-18 0-4 YEAR OLD HEALTH VISITING SERVICE

6. The Health Visiting Service supports families through the early years from pregnancy and birth to primary school, with the Family Nurse Partnership providing intensive support to the most vulnerable mothers from pregnancy until their child is two years old.
7. Our testing identified the following which we would like to draw to management's attention:-
 - One invoice (dated 1st March 2018, invoice number 48671) did not state in the narrative to which month's payment it referred and was annotated 'copy invoice'. The lack of narrative increases the risk of duplicate payment being made should the original invoice be located.

During the course of the testing it was noted that the contract had been recorded in the Contracts Register as 'rounded' values (£274,000 per month, £3,288,000 per year and a whole life value of £9,864,000). It is recommended that the Contract Register figures are restated with exact figures (£274,039.67, £3,288,476 and £9,865,428 respectively) to reflect the true value of the contract.

SIGNIFICANT FINDINGS (PRIORITY 1)

8. There are no significant findings.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

ACKNOWLEDGEMENT

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	One invoice (dated 1 st March 2018, invoice number 48671) did not state in the narrative to which month's payment it referred and was annotated 'copy invoice'. The lack of narrative increases the risk of duplicate payment being made should the original invoice be located.	Excess payments may inadvertently be made.	<p>All invoices should state clearly which month's payment is being claimed to reduce the risk of duplicate payments being made. This is especially pertinent when invoices presented are annotated 'copy'.</p> <p>[Priority 3]</p>

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

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

Priority 3
Identification of suggested areas for improvement

**REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH AUDIT FOR 2017-18
0-4 YEAR OLD HEALTH VISITING SERVICE**

APPENDIX B

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	All invoices should state clearly which month's payment is being claimed to reduce the risk of duplicate payments being made. This is especially pertinent when invoices presented are annotated 'copy'.	3	<p>All invoices issued by the provider clearly state which month's payment is being claimed. This is the only one where this was missing. A possible reason was that it was a copy invoice as the original invoice was lost in the post.</p> <p><i>The Quality Assurance Processes for Financial arrangements within Public Health – Mar 2018</i> protocol has been updated with the additional section on management of invoices. All staff have been informed about it.</p> <p>The Contracts register has been amended to reflect the exact value of the contract and not a rounded value.</p>	Director of Public Health.	Completed

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

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

Priority 3
Identification of suggested areas for improvement

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

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

**FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE & HEALTH DEPARTMENT**

REVIEW OF CHILDREN WITH DISABILITIES AUDIT FOR 2017-18

Issued to: Mark Smith, Group Manager,
David Dare, Head of Service Safeguarding & Care Planning,
Janet Bailey, Director, Children's Safeguarding & Social Care,
Paul Feven, Director of Programmes,
Peta Smith, Children's Commissioning Manager,
Ruth Wood, Head of Placements & Brokerage,
Naheed Chaudhry, Assistant Director, Strategic & Business Support Services,
David Bradshaw, Head of ECHS Finance,
Claudine Douglas - Brown, Head of Exchequer Services,

Cc Ade Adetosoye, Deputy Chief Executive, Executive Director for ECHS (Final Only).

Prepared by: Principal Auditor.

Date of Issue: April 30th 2018

Report No: ECHS/04/2017/AU

REVIEW OF CHILDREN WITH DISABILITIES AUDIT 2017-18

INTRODUCTION

1. This report sets out the results of our systems based audit of Children with Disabilities. The audit was carried out in quarter 4 as part of the programmed work specified in the 2017/18 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

AUDIT SCOPE

3. The scope of the audit was outlined in the Terms of Reference issued on 11/12/17. The review also included a follow up of the previous audit dated 3/8/17 of which 3 recommendations were made with two re-recommendations and 1 new recommendation. The original budget for this service area for 2017/18 was £1,531,250 and the projected outturn is £1,549,284. The year to date actual is £2,691,998. The Principal Finance Officer confirmed that 'the year to date actual figures includes all costs attributable to the Social Work team, but the projected Outturn is the forecast for the team element of the Children with Disabilities Team only. Payments relating to the cost of Residential, Independent and In-House Fostering for Children with Disabilities are charged directly to the team (as recorded on CareFirst) and any subsequent variances are reported under the Placement budget'.

AUDIT OPINION

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

MANAGEMENT SUMMARY

5. Our testing identified the following issues which we would like to draw to management's attention:-
- Annual Reviews were found not to have been undertaken within a 12 month timeline including the sign off by a manager.
 - Evidence of a 3 monthly reviews of the high cost placement could not be found in one case.
 - Supporting documentation could not be located in order to support a respite placement for one service user.
 - Issues were identified in respect of the Resource Request Forms in six cases and for one Funding Decision Sheet.
 - Issues arose with payments to three service users and one minor issue in respect of another case relating to the rate of payment included within a description field within Carefirst.
 - The source of the children's direct payment rate of £10.73 could not be verified.
 - Service agreements were found not to have been authorised in a timely manner.
 - Contract monitoring and occupancy levels have not been monitored for some time.

SIGNIFICANT FINDINGS (PRIORITY 1)

Payments

6. Issues arose with payments to three service users and one minor issue in respect of another case relating to the rate of payment included within a description field within Carefirst.
7. Sample 2 - Sample 2 is currently in a residential boarding school placement from 11/9/17 at a cost of £3,072.85 per week and is a split funded between children's social care and SEN. It was confirmed that the service user has been attending 2 of the 5 nights per week as residential from October 2017 that are being funded currently and as a result we continue to fund for 5 nights.

REVIEW OF CHILDREN WITH DISABILITIES AUDIT 2017-18

8. In addition, there are 2 other service agreements for agency support in the home which cover the same time periods. One commenced on 7/9/16 for £288 per week for support over 3 days this has now been closed off with the date 10/9/17 on 6/2/18. The Central Placements Team (CPT) confirmed that no invoices have been paid since September 2017 and that they had queried this with the department on 3/11/17. The second service agreement commenced on 23/9/16 and is to cover a family support worker 3 hours per day for 5 days a week costing £720.00 per week which remains open and current at the time of testing. It was confirmed by the Senior Practitioner by email on 6/2/18 that this service user 'started having two overnights per week in October 17 but has not progressed to the full 4 nights per week. At a recent meeting, the service user's family indicated that the 2 nights per week are all that the service user can cope with and that they would not support it increasing. This has raised a query about whether LBB are funding the full residential cost or if a reduced fee has been negotiated'. There is also the issue about the 5 days a week support and whether this should be continued.
9. The Auditor also checked with the SEN team as this is a joint funded placement regarding payments and it was confirmed that for the Autumn Term Children's Social Care had paid £15,070.32 and Education £16,844. It was confirmed that the placement is for 5 days a week and the Spring Term payment was due to go out at the end of the week ending 11/2/18. The Auditor asked that the Group Manager confirms that the payment is correct prior to the payment being made.
10. For Sample 10 there is a service agreement for a one off amount of £11,857.70 dated 23/2/17, which was authorised by the Head of Service. Retrospective approval of the service agreement on Carefirst was made on 31/7/17 for the period 13/2/17 to 24/7/17 as detailed within the Outreach form which was authorised by the Head of Service and the Disabled Children's Team Managers. The Head of Service confirmed that this period of time was prior to his start at Bromley. This service agreement had not been actioned by previous management and retrospective approval was required as a result.
11. A further service agreement dated 19/6/17 for £2,221.60 per week, does not reconcile to the breakdown provided on Carefirst and has been calculated incorrectly also for the mileage. The calculation includes 37.6 miles @ 0.45p per mile which is £16.92 but the calculation includes 37.60 which is an overpayment of £20.68 per week.

REVIEW OF CHILDREN WITH DISABILITIES AUDIT 2017-18

12. For Sample 13 the service commenced on 4/9/17 for £69.92 per week and the direct payment covers 4 hours support per week at the rate of £17.92. However, $4 \times 17.92 = £71.68$ which equates to a shortfall in the direct payment of £1.76 per week.
13. In respect of Sample 16 the service agreement commenced on 27/3/17 at the rate of £21.46 per week which equates to the direct payment rate of £10.73, the children's direct payment rate. However, on Carefirst the service agreement notes specify that the rate is £21.56 causing confusion.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

ACKNOWLEDGEMENT

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Annual Reviews The Auditor was advised that the review spreadsheet highlighted within the last review was being updated with a view to System A being used as a trigger for alerts as this was coming into place for December 17. This is now not happening. The new online assessments will be utilised for low level cases.</p> <p>It was found that issues arose in respect of reviews being undertaken in a timely manner for the following service users :-</p> <p>Samples 11, 13 (not complete) 16 (not complete) and 20 (not complete).</p>	<p>Changes in needs are not identified and the continuation of current services may no longer be appropriate.</p>	<p>The Annual Review must be undertaken within a 12 month timeline including the sign off by a manager. To achieve this commencement of the Annual Review should start at the 10th month to ensure that the review is completed and signed off by a manager within the 12 month's timeline.</p> <p>[Priority 2*]</p>

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

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

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2	<p><u>Placement Panel Review</u> Evidence that a three monthly review had taken place in respect of Sample 8's continuing placement could not be found. This review should have taken place at the Placement Panel.</p> <p>This service user is currently in an independent fostering arrangement at a weekly cost of £1,349 per week which equates to £70,148 per annum, of which there is a signed waiver.</p>	<p>Inadequate supporting documentation to evidence decisions made.</p>	<p>Reviews should be timetabled to take place at the Placement Panel every three months for these high cost placements.</p> <p>[Priority 2]</p>
3	<p><u>Supporting Documentation</u> Supporting documentation could not be located in order to support a respite placement for one service user for the period 27/10/16 to 17/12/17 -Sample 12.</p>	<p>Inadequate supporting documentation to evidence decisions made.</p>	<p>Supporting documentation to evidence approval for this service user to attend respite services should be readily available.</p> <p>[Priority 2]</p>

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

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

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
4	<p>Resource Request Forms & Funding Decision Sheet Issues were identified in respect of the Resource Request Forms (RRF) in six cases. Sample 3, 6, 8, 12, 15, 18 at the time of testing.</p> <p>Sample 12- Not located Sample 15- RRF 6/12/17 not complete and RRF 22/6/17 not clear if included. Sample 18-RRF located but is dated 17/10/17 when the service commenced on 30/1/17.</p> <p>For Sample 10 a Funding Decision Sheet FDS Sheet does not cover amounts included within Outreach Form dated 19/9/17.</p>	<p>Inadequate supporting documentation to evidence decisions made. Inability to effectively undertake budget monitoring.</p>	<p>Ensure Resource Request Forms are: Reviewed in a timely manner to identify any funding which is due to expire. Include duration date. Are authorised in a timely manner. Specifies a review date. Ensure that service reviews are carried out as agreed within the Resource Request Form.</p> <p>Cases identified should be investigated.</p> <p>[Priority 2*]</p>

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

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

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
5	<p>Payments Issues arose with payments to three service users and one minor issue in respect of another case relating to the rate of payment included within a description field within Carefirst.</p> <p>Sample 2 - Sample 2 is currently in a residential boarding school placement from 11/9/17 at a cost of £3,072.85 per week and is a split funded between children’s social care and SEN. It was confirmed that the service user has been attending 2 of the 5 nights per week as residential from October 2017 that are being funded currently and as a result we continue to fund for 5 nights.</p> <p>In addition, there are 2 other service agreements for agency support in the home which cover the same time periods. One commenced on 7/9/16 for £288 per week for support over 3 days this has now been closed off with the date 10/9/17 on 6/2/18. The Central Placements Team (CPT) confirmed that no invoices have been paid since September 2017 and that they had queried this with the department on 3/11/17. The second service agreement commenced on 23/9/16 is to cover a family support worker 3 hours per day for 5 days a week costing £720.00 per week which remains open and current at the time</p>		

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

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

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>of testing. It was confirmed by the Senior Practitioner by email on 6/2/18 that this service user ‘started having two overnights per week in October 17 but has not progressed to the full 4 nights per week. At a recent meeting, the service user’s family indicated that the 2 nights per week are all that the service user can cope with and that they would not support it increasing. This has raised a query about whether LBB are funding the full residential cost or if a reduced fee has been negotiated’. There is also the issue about the 5 days a week support and whether this should be continue.</p> <p>For Sample 10 there is a service agreement for a one off amount of £11,857.70 dated 23/2/17, which was authorised by the Head of Service. Retrospective approval of the service agreement on Carefirst was made on 31/7/17 for the period 13/2/17 to 24/7/17 as detailed within the Outreach form which was authorised by the Head of Service and the Disabled Children’s Team Managers. The Head of Service confirmed that this period of time was prior to his start at Bromley. This service agreement had not been actioned previously by previous management and retrospective approval was required as a result.</p> <p>A further service agreement dated 19/6/17 for £2,221.60 per</p>		

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

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

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>week is the cost of which does not reconcile to the breakdown provided on Carefirst and has been calculated incorrectly also for the mileage. The calculation includes 37.6 miles @ 0.45p per mile which is £16.92 but the calculation includes £37.60 which is an overpayment of £20.68 per week. For Sample 13 the service commenced on 4/9/17 for £69.92 per week and the direct payment covers 4 hours support per week at the rate of £17.92. However, 4x17.92 = £71.68 which equates to a shortfall in the direct payment of £1.76 per week. In respect of Sample 16 the service agreement commenced on 27/3/17 at the rate of £21.46 per week which equates to the direct payment rate of £10.73, the children’s direct payment rate. However, on Carefirst the service agreement notes specify that the rate is £21.56 causing confusion.</p>	<p>Incorrect payment levels made to the service users and payments made to providers for services not utilised.</p>	<p>Individual cases identified should be investigated by the service without delay and corrected as required.</p> <p>[Priority 1]</p>
6	<p><u>Direct Payment Rate</u></p> <p>The source of the children’s direct payment rate of £10.73 could not be verified. The Group Manager confirmed that this is the rate that we have used for years.</p>	<p>Incorrect payment rates may be made.</p>	<p>The children’s direct payment rate of £10.73 should be confirmed as correct.</p> <p>[Priority 2]</p>

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

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

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
7	<p><u>Authorisation of Service Agreements</u></p> <p>15/20 service agreements were found not to have been authorised in a timely manner.</p> <p>Sample 1 commenced 6/11/17 authorised on 30/11/17</p> <p>Sample 3 commenced 27/4/15 authorised on 22/5/15</p> <p>Sample 4 commenced 09/10/17 authorised on 25/10/17</p> <p>Sample 6 commenced 16/10/17 authorised on 31/1/18</p> <p>Sample 7 commenced 29/5/17 authorised on 21/7/17</p> <p>Sample 8 commenced 26/4/17 authorised on 30/5/17</p> <p>Sample 9 commenced 4/9/17 authorised on 28/9/17</p> <p>Sample 10 commenced 10/6/17 authorised on 20/10/17</p> <p>Sample 11 commenced 3/3/14 authorised on 22/5/14</p> <p>Sample 12 commenced 27/10/16 closure not authorised</p> <p>Sample 13 commenced 4/9/17 authorised on 25/9/17</p> <p>Sample 14 commenced 29/9/17 authorised on 1/11/17</p> <p>Sample 15 commenced 20/11/17 authorised on 7/12/17</p> <p>Sample 17 commenced 1/7/14 remains not authorised</p> <p>Sample 18 commenced on 30/1/17 authorised on 23/3/17</p> <p>It should also be noted that management advised that the service agreements for Provider A are also not authorised as it</p>	<p>Delayed payments to service users and providers budget implications and inaccurate commitment shown within the budget. Lack of accurate management information.</p>	<p>Service agreements should be reviewed on a regular basis and authorised in a timely manner to ensure that payments are made on time and commitments are accurately reflected in the budget. Service agreements should also be authorised to confirm services currently provided.</p> <p>[Priority 2]</p>

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

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

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>is zero cost and have never done so. In this instance, there is no clear audit trail within Carefirst who currently receives authorised services at Provider A.</p>		
8	<p><u>Contract Monitoring & Occupancy Levels</u></p> <p>It was not possible to identify an officer in Commissioning who was undertaking monitoring in respect of Provider A. Provider B is the lead commissioner for this jointly commissioned block contract; the contractual arrangements with LBB being part of the part 75 agreement. The Group Manager advised that there is a new contract from 1st December 2017 when the number of beds have now reduced from 8.5 to 6. Also occupancy levels at Provider A have not been monitored for some time since a previous post holder left the Authority. Occupancy details have since been provided by Provider A to the Group Manager on 30/01/18.</p> <p>A report to the Executive on 7/2/18 provided an update to members about Provider B’s Contract. The Community Contract included three Council services, Reablement, CARTS</p>	<p>Contract monitoring may not be undertaken effectively.</p>	<p>The occupancy levels and the contract should be monitored effectively.</p> <p>[Priority 2]</p>

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

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

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>and Provider A, and was awarded to Provider B by the Council's Executive in June 2017.</p> <p>The services were due to transfer on 1 February 2018. However, Provider B raised concerns about their pension liabilities for the transferring staff in January 2018. These had significant financial implications for staff and for the criteria for the award of contract as approved by members in June 2017.</p> <p>In February the Executive approved withdrawing the three services from the Community Contract due to Provider B seeking to make substantial changes to the terms of the proposed transfer, in particular the terms of the admission agreement relating to admitted body status of the Local Government Pension Scheme.</p>		

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

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

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Annual Reviews The Annual Review must be undertaken within a 12 month timeline including the sign off by a manager. To achieve this commencement of the Annual Review should start at the 10 th month to ensure that the review is completed and signed off by a manager within the 12 month's timeline.	2*	On-line assessment needs to be set up.	Group Manager	1/6/18
2	Placement Panel Review Reviews should be timetabled to take place at the Placement Panel every three months for these high cost placements.	2	Not reviewed every 3 months at panel New Placement agreed at panel on 10/02/17 Placement and funding authorised on 27/02/17 for a foster placement for 6 months and, unless called back to panel for more frequent	Central Placement Team	N/A

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

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

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			<p>monitoring (as illustrated later in this case history), an IFA placement can be agreed for extension on a 6 monthly basis. Child was placed in April 2017 Reviewed at panel October 2017 Reviewed again 03/11/17 Reviewed again 22/02/18 Reviewed again on 02/03/18</p> <p>Cases in general are timetabled when due for funding renewal but will often be postponed when SW is unavailable to attend. Schedules are sent out 4 weeks in advance to help plan these but delays do still occur.</p>		

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

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

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	<p><u>Supporting Documentation</u></p> <p>Supporting documentation to evidence approval for this service user to attend respite services should be readily available.</p>	2	To discuss with allocated caseworker and ensure relevant paperwork is completed and gain retrospective agreement for respite placement.	Group Manager	4 th May 2018

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

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

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	<p><u>Resource Request Forms & Funding Decision Sheets</u></p> <p>Ensure Resource Request Forms are: Reviewed in a timely manner to identify any funding which is due to expire. Include duration date. Are authorised in a timely manner. Specifies a review date. Ensure that service reviews are carried out as agreed within the Resource Request Form.</p> <p>Cases identified should be investigated.</p>	2*	<p>Agreed.</p> <p>As discussed plan was to use System A to manage finances, however the delay in the transfer from CF has prevented this happening.</p> <p>Spreadsheet with review dates to be implemented at Resource Panel for cases to return.</p>	Group Manager	2 nd May 2018 – Outstanding RRF.

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

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

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	Payments Individual cases identified should be investigated by the service without delay and corrected as required.	1	Agreed	Group Manager/Head of Service	1/06/18
6	Direct Payment Rate The children's direct payment rate of £10.73 should be confirmed as correct.	2	The rate is being reviewed at the moment to probably bring it more in line to the adult rate.	Head of ECHS Finance	01/06/18

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

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

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
7	<p><u>Authorisation of Service Agreements</u> Service agreements should be reviewed on a regular basis and authorised in a timely manner to ensure that payments are made on time and commitments are accurately reflected in the budget. Service agreements should also be authorised to confirm services currently provided.</p>	2	<p>Agree more prompt authorisation can be completed.</p> <p>To arrange for service agreements to be completed at Resource Panel every 2 weeks if not completed in between.</p>	DCT Managers	Ongoing
8	<p><u>Contract Monitoring & Occupancy Levels</u> The occupancy levels and the contract should be monitored effectively.</p>	2	<p>Commissioning and contract management responsibilities are held by the Programmes Design Team Head of Service and managed on a day to basis by a joint Children’s Commissioner. There was a period where the post was not covered but a</p>	<p>Director of Programmes,</p> <p>Head of Service & Children’s Commissioner.</p>	July 31st 2018

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

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

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			<p>commissioner has been in place since February 2018.</p> <p>A review of the Provider A service is underway, managed by the Children’s Commissioner which will:</p> <ul style="list-style-type: none"> • Review outcomes of the current service including utilisation • Analyse future and current demand • Benchmark costs with other services • Explore other service models <p>Ongoing contract management will follow the review.</p>		

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

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

Priority 3
Identification of suggested areas for improvement

OPINION DEFINITIONS

APPENDIX C

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

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

INTERNAL AUDIT FINAL REPORT
EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT

**INTERNAL AUDIT REVIEW OF THE TROUBLED FAMILIES CLAIM
FOR THE PERIOD 1 APRIL 2017 TO 31 MARCH 2018**

Issued to: Rachel Dunley, Head of Service, Early Intervention & Family Support
Kokui Binns, Intelligence & Operations Lead
Neil Dilkes, Intelligence & Operations Co-ordinator

Cc Ade Adetosoye, Executive Director of ECHS and Deputy Chief Executive (final report only)
Janet Bailey, Director of Children's Social Care (final report only)
David Bradshaw, Head of Finance, ECHS (final report only)
Dave Hogan, Head of Audit

Prepared by: Principal Auditor

Date of Issue: 11 May 2018

Audit ref: ECHS/02/2017/AU

INTRODUCTION

1. This note sets out the results of our audit testing of a sample of individual claims for the claim period between 1 April 2017 and 31 March 2018.
2. We have agreed with the Early Intervention and Family Support Team that checks on a sample of individual claims will be carried out every six months, in September and March of each financial year. These compliance checks seek to confirm that the sample of individual claims to be submitted at the end of those periods meet the employment or significant and sustained criteria, enabling a claim to be made.
3. Due to the impending external 'spot check' visit during Autumn 2017 by the Ministry for Housing, Communities and Local Government (MHCLG), our six monthly audit testing due to take place at the end of September 2017 was deferred. Consequently, our sample of 10% of claims submitted was selected this time from a twelve month period commencing 1 April 2017 to ensure continuity from previous testing and we did not consider any of the claims submitted since 1 April 2017 which the MHCLG had reviewed during their visit.

METHODOLOGY

4. We ascertained that there were 150 individual claims closed between 1 April 2017 and 31 March 2018. We selected a sample of 10% i.e. 15 claims to check. Two of the claims examined were where a client had gained employment, enabling a claim to be made. The 13 other claims in our sample were where the Early Intervention and Family Support Team considered that the national and/or local criteria as set out in the London Borough of Bromley's Outcome Plan had been met and significant and sustained progress had been made, resulting in the family no longer being attached to the programme.

SUMMARY OF FINDINGS

5. Our review of these claims found that the two employment claims met the relevant criteria for a claim to be made and the 13 other claims showed evidence that significant and sustained progress had been made. We also confirmed that these families had not been claimed for previously under the Troubled Families programme.

6. We also confirmed that the total amount claimed for payment by results for the 150 individual claims submitted between the period 1 April 2017 and 31 March 2018 was £120,000. 14 were employment claims and 136 were for significant and sustained progress made.
7. As a result of our testing there are no significant findings and there are no recommendations arising from this review.
8. We are aware of the recent correspondence between the Council and the MHCLG concerning the targets in years 4 and 5 of the programme to attach and turn around families, progress made to date and service transformation. We will continue to offer advice to the Troubled Families Team as and when we can, commensurate with our role.
9. Finally, we would like to thank all the staff contacted during this review for their help and co-operation.

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FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVES DEPARTMENT

REVIEW OF MAIN ACCOUNTING SYSTEM AUDIT FOR 2017-18

Issued to: Tracey Pearson, Chief Accountant,
Claire Martin, Head of ECS and CEX Finance,
David Bradshaw, Head of ECHS Finance,
Claudine Douglas-Brown, Head of Exchequer Services,

Cc Peter Turner, Director of Finance,

Prepared by: Principal Auditor

Date of Issue: May 2nd 2018

Report No: CEX/09/2017/AU

REVIEW OF MAIN ACCOUNTING SYSTEM AUDIT 2017-18

INTRODUCTION

1. This report sets out the results of our systems based audit of the Main Accounting System for 2017-18. The audit was carried out in quarter 4 as part of the programmed work specified in the 2017/18 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. External Audit, within their report in 2016-17 dated 12/9/17, recommended that there should be a monthly process be put in place to check that journal transfers are confirmed as correct. This was highlighted to Audit Sub Committee in November 2017.

AUDIT SCOPE

4. The scope of the audit was outlined in the Terms of Reference issued on 31/01/2018. This review also included the follow up to the recommendations made within the 2016-17 audit.

AUDIT OPINION

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

MANAGEMENT SUMMARY

- 6 Controls were in place and working well in respect of the supporting documentation, which was found to be readily available for the journals sampled.
7. Our testing identified the following issues which we would like to draw to management's attention:-
 - Journal transfers are processed by one authorised officer without any further approval process being in place. There is no regular management review of journals.
 - Supporting documentation was found not to be readily available in one case and when produced it contained an error, which was then corrected.
 - Five previous members of staff had since left employment at the Authority but remained on the list of current FIS users. Internal Audit were informed that managers are not always completing the leavers form correctly to ensure that access to Oracle is removed. Therefore, the FIS team are not being notified. Internal Audit were advised by the HR Support Services Team Leader on 2/5/18, that when a member of staff leaves the Authority, an end date is entered onto Resourcelink and that this starts a process whereby an email is generated which activates the suspension of the user's account on the last day of service. A finding has not been made within this report, but instead the process will be fully tested within the Starters and Leavers Audit for 2018-19.

SIGNIFICANT FINDINGS (PRIORITY 1)

8. There are no significant findings.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

ACKNOWLEDGEMENT

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p><u>Journal Transfer Approval</u></p> <p>A report was run detailing all journal transfers for the period April 2017 to January 31st 2018. Twenty, journal transfers were selected for review.</p> <p>Although journals are restricted to finance staff as detailed within the journal procedures, it was found that there is currently no approval of journal transfers undertaken and staff will self-approve journals.</p> <p>This was highlighted by External Audit in their 2016-17 report dated 12/9/17 and they recommended that a monthly process be put in place, whereby a sample of journals are checked to see if they are correct.</p> <p>Internal Audit agrees with External Audit, but recognises there are resource issues which have been highlighted to Internal Audit. Periodic sample checks could be undertaken to mitigate the risks identified, in the absence of separation of duties. These should ensure different types; levels and officers are reviewed as part of the sample checking. Reviews of these samples should determine whether there is a need for further</p>	<p>Incorrectly posted journals, duplicated journals, non-compliance with journal processing procedures.</p> <p>Ability to misstate the financial statements whether caused by fraud or error.</p>	<p>Adequate monitoring of journals transfers entered onto the financial systems should be in place.</p> <p>Journal transfers should be appropriately authorised. In the absence of individual approval, there should be periodic sample checks undertaken on journal transfers. (Reviews of the outcome of this should be considered to determine if further controls are required).</p> <p>[Priority 2]</p>

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Project Code: **CEX/09/2017/AU**

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

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

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>controls to be introduced. Journal approvals to be included in the sample are the manual journals undertaken and not automated system updates.</p>		
2	<p><u>Supporting Documentation</u></p> <p>A sample of journals was selected for review. One of the journals was processed by an authorised contractor. Supporting documentation was requested on 13/3/18 and again on the 26/3/18.</p> <p>This information was provided on 25/4/18. The Auditor was advised that the journal of £72,310 should have been for £74,210.00 and included an error of £1,900.</p> <p>This has subsequently been corrected.</p> <p>It should be noted that there are compensatory controls in place with checks are undertaken by the Finance staff of the contractors journals. However, these checks did not highlight this error.</p>	<p>Without supporting documentation, there is no audit trail to establish the reason for the journal.</p>	<p>Supporting documentation should be readily available to verify the reason for the journal transfer being made.</p> <p>[Priority 2]</p>

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

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

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p><u>Journal Transfer Approval</u></p> <p>Adequate monitoring of journals transfers entered onto the financial systems should be in place.</p> <p>Journal transfers should be appropriately authorised. In the absence of individual approval, there should be periodic sample checks undertaken on journal transfers. (Reviews of the outcome of this should be considered to determine if further controls are required).</p>	2	<p>Agreed.</p> <p>Quarterly sample checks will be undertaken by members of the Finance Management Team (FMT). This will include a sample of 20 journals each quarter. The sample will include a number of journals actioned by each finance team across a range of values.</p>	FMT	Effective from Qtr 1 2018/19

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

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

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	<p><u>Supporting Documentation</u></p> <p>Supporting documentation should be readily available to verify the reason for the journal transfer being made.</p>	2	Agreed – this is set out in current journal procedures	Senior Accountants	Immediate

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

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

Priority 3
 Identification of suggested areas for improvement

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

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

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FINAL INTERNAL AUDIT REPORT

EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH AUDIT FOR 2017-18 POINT OF CARE TESTING

Issued to: Nada Lemic, Director of Public Health
Gillian Fiumicelli, Head of Vascular Disease Prevention Programme

Cc (Final only) Ade Adetosoye OBE, Deputy Chief Executive and Executive Director, Education, Care and Health Services
Naheed Chaudhry, Assistant Director Strategy, Performance and Business Support
David Bradshaw, Head of Education, Care and Health Services Finance

Prepared by: Principal Auditor

Date of Issue: 27/04/2018

Report No: ECHS 15/2017/AU

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH 2017-18 – POINT OF CARE TESTING

INTRODUCTION

1. This report sets out the results of our systems based audit of Contracts and Commissioning for Public Health – Point of Care Testing. The audit was carried out in quarter four as part of the programmed work specified in the 2017/18 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

AUDIT SCOPE

3. The scope of the audit was outlined in the Terms of Reference issued on 19th February 2018.

AUDIT OPINION

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

MANAGEMENT SUMMARY

5. Contractor A was commissioned to support the NHS Health Check programme through the provision of high quality equipment and consumables for Cholesterol and HbA1c (Diabetes) testing. Equipment as defined in the contract and as specified in a standard order form may be ordered by any of the GP Surgeries within the borough to undertake the NHS Health Check of Cholesterol. Members of the GP Alliance may order additional equipment to undertake checks for Diabetes.

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH 2017-18 – POINT OF CARE TESTING

The contract commenced on 1st April 2016 for a period of one year. It was subsequently extended for a further period of 12 months to 30th March 2018. Invoices processed for the first eight months of the 2017/18 financial year totalled £56,958.44 net.

6. Controls were in place and working well in the areas of data management and analysis.
7. Our testing identified the following issues which we would like to draw to management's attention:-
 - The current process does not allow GP surgeries to confirm direct to Public Health that they have ordered or received goods under the Point of Care Testing contract. Orders are placed by individual GP surgeries with Contractor A (who will issue an order acknowledgement to Public Health) and the goods are delivered direct to the GP surgeries. It would be good practice for each GP surgery to confirm their orders direct to Public Health and subsequently to provide confirmation that they have received the goods. Similarly, when goods are 'compromised in transit', usually as a result of the temperature breaching the set tolerance level, Contractor A issue the Certificate of Destruction direct to the GP Surgery for completion and return to themselves, with Public Health only made aware of this when a Credit Note is received. It would be good practice for each surgery to confirm to Public Health details of Certificates of Destruction for goods compromised in transit completed and returned to Contractor A, in order that Public Health may verify the value of Credit Notes received.
 - All 20 orders within the sample for the Point of Care Testing contract had been raised after the date of the invoice. An official order, or its equivalent, should be raised in a timely manner for all goods, works and services to ensure that financial commitments are reflected in budget monitoring, although Financial Regulations, para 6.7 does cite an exception (i) 'Where a specific formal contract exists which does not incorporate any facility for the regular draw-down of services'. It is acknowledged that invoices under this contract can exceed 75 items ordered by 25 surgeries with net values of £7K, and that for each order to be invoiced on an individual basis would be cumbersome. It is therefore recommended that Public Health agree a monthly cut off point with Contractor A at which time an order is raised based on the value of 'order acknowledgements' issued by the contractor, pending receipt of the corresponding invoice.

It is recommended that Public Health establish with Contractor A the composition of the 'net value' figure as stated in the Sales History Spreadsheet, as for 13 of the 20 items sampled the figure quoted was higher than invoiced and stated in the contract.

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH 2017-18 – POINT OF CARE TESTING

Indications are that this anomaly in the spreadsheet (the invoiced amount agreed with the price as stated in the contract) was aligned to an apportionment of the freight charge but this could not be verified through the testing.

For consistency, it is recommended that Contractor A are requested to record the 'Control' items ordered for the GP Alliance and Public Health (£38 per pack, six packs of controls required per site over the course of a year, catalogue reference 1116067), on their Sales History spreadsheet. Three packs within the sample (two on invoice 91300182 dated 30th June 2017 and one on invoice 91342367 dated 31st August 2017) could not be located on the spreadsheet. It should also be noted that the invoices for these items did not include a 'PO date' reference.

SIGNIFICANT FINDINGS (PRIORITY 1)

8. There are no Significant findings.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

ACKNOWLEDGEMENT

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

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH AUDIT 2017-18 – POINT OF CARE TESTING

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1	<p>The current process does not allow GP surgeries to confirm direct to Public Health that they have ordered or received goods under the Point of Care Testing contract. Orders are placed direct with Contractor A (who will issue an order acknowledgement to Public Health) and the goods are delivered direct to the GP surgeries. It would be good practice for each GP surgery to confirm their orders, and subsequent receipt of the goods, to Public Health.</p> <p>Similarly, it would be good practice for each surgery to confirm to Public Health details of Certificates of Destruction for goods compromised in transit completed and returned to Contractor A, in order that Public Health may verify the value of Credit Notes received.</p>	<p>There is no independent verification of orders placed, goods received or goods destroyed prior to payment of invoices which could lead to errors in billing not being identified.</p>	<p>Consideration should be given to GP surgeries confirming direct to Public Health:-</p> <ul style="list-style-type: none"> • Orders placed with Contractor A • Subsequent receipt of goods ordered • Certificates of Destruction completed and returned to Contractor A for goods compromised in transit. <p>[Priority 3]</p>

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

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

Priority 3
Identification of suggested areas for improvement

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH AUDIT 2017-18 – POINT OF CARE TESTING

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
2	<p>An Oracle data extract showed that all 20 orders sampled for the Point of Care Testing contract had been raised after the date of the invoice.</p> <p>Where orders are not raised in a timely manner, the budget commitment will be inaccurately reflected.</p> <p>This will also be addressed as part of the Creditors Audit which is currently in course.</p>	<p>If orders are not raised in a timely manner, commitments will not be reflected in budget monitoring</p>	<p>As the Point of Care Testing contract does not incorporate a facility for the regular draw down of goods/services, it is recommended that Public Health agree a monthly cut off point with the supplier at which time an order is raised based on the value of ‘order acknowledgements’ received.</p> <p>[Priority 3]</p>

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

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

Priority 3
Identification of suggested areas for improvement

**REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH AUDIT 2017-18 – POINT OF CARE TESTING
APPENDIX B
MANAGEMENT ACTION PLAN**

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>Consideration should be given to GP surgeries confirming direct to Public Health:-</p> <ul style="list-style-type: none"> • Orders placed with Contractor A • Subsequent receipt of goods ordered • Certificates of Destruction completed and returned to Contractor A for goods compromised in transit. 	3	<p>Consideration has been given to feasibility of confirming orders have been placed and received by GP Practices.</p> <ul style="list-style-type: none"> • For orders placed from the GP Practices, we can request that Public Health is copied into the email containing the order form. These can then be matched against the order acknowledgements received from Contractor A, thereby confirming the order has been placed by the GP Practice. • It would not be possible or practical to obtain receipt of goods ordered by each of the 45 GP Practices. The order would be received by varying GP reception staff, who are often part time. The staff member who placed the order 	Head of Vascular Disease Prevention Programme	June 2018

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

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

Priority 3
Identification of suggested areas for improvement

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH AUDIT 2017-18 – POINT OF CARE TESTING
APPENDIX B
MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			<p>may not be in the Practice at the time the goods are received. (Monitoring of data for NHS Health Checks delivered and annual stocktake of POCT cassettes in the Practice fridge can provide an approximate figure of goods received.)</p> <ul style="list-style-type: none"> Public Health has requested that when Contractor A issues a certificate of destruction notice to a Practice, that Public Health is copied into this emailed document. These certificates of destruction for goods compromised in transit can be matched against credit notes issued by Contractor A. 		

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

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

Priority 3
Identification of suggested areas for improvement

REVIEW OF CONTRACTS AND COMMISSIONING FOR PUBLIC HEALTH AUDIT 2017-18 – POINT OF CARE TESTING
APPENDIX B
MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	As the Point of Care Testing contract does not incorporate a facility for the regular draw down of goods/services, it is recommended that Public Health agree a monthly cut off point with the supplier at which time an order is raised based on the value of 'order acknowledgements' received.	3	Consideration has been given to this recommendation. However to agree a monthly cut off point may impede GP Practices in the delivery of NHS Health Checks if there ordering was capped in any month. This would be detrimental to delivery of the NHS Health Checks programme. Public Health is aware that there is a level of risk here, however are of the opinion it is minimal and are willing to accept that risk.	Head of Vascular Disease Prevention Programme	June 2018

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

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

Priority 3
Identification of suggested areas for improvement

OPINION DEFINITIONS

APPENDIX C

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Limited Assurance	Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.
No Assurance	Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.