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## **AUDIT SUB-COMMITTEE INFORMATION BRIEFING**

**Meeting to be held on Tuesday, 26 February 2019**

### **QUESTIONS ON THE INFORMATION BRIEFING**

The Briefing comprises:

- 1 BUSINESS RATES--2018--2019** (Pages 3 - 10)
- 2 REVIEW OF HEALTH AND SAFETY AUDIT--2018-2019** (Pages 11 - 26)
- 3 REVIEW OF INFORMATION GOVERNANCE AND GDPR AUDIT FOR 2018-2019**  
(Pages 27 - 46)
- 4 REVIEW OF PENSION FUND AUDIT FOR 2018-2019** (Pages 47 - 52)
- 5 REVIEW OF ST. OLAVES SCHOOL AUDIT--2018-2019** (Pages 53 - 92)
- 6 REVIEW OF STREET CLEANSING CONTRACT MANAGEMENT--2018-2019**  
(Pages 93 - 106)
- 7 REVIEW OF DEBTOR'S INCOME AUDIT--2018-2019** (Pages 107 - 116)
- 8 INTERNAL AUDIT OF THE HOUSING REGISTER--2017-2018** (Pages 117 - 130)
- 9 REVIEW OF PARKING INCOME AUDIT--2018-2019** (Pages 131 - 156)
- 10 INTERNAL AUDIT OF PENSION PAYMENTS--2018-2019** (Pages 157 - 164)
- 11 REVIEW OF THE MANAGEMENT OF STRATEGIC PROPERTY FOR 2017-2018**  
(Pages 165 - 210)

The briefing is 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](mailto:stephen.wood@bromley.gov.uk).

***Copies of the documents referred to above can be obtained from  
[www.bromley.gov.uk/meetings](http://www.bromley.gov.uk/meetings)***

**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVE'S APARTMENT**

**BUSINESS RATES 2018-19**

**Issued to:** Claudine Douglas-Brown, Assistant Director Exchequers Services  
John Nightingale, Head Revenues and Benefits  
Jayne Carpenter, Revenues and Benefits Manager

**Cc:** Peter Turner, Director of Finance (Final Report only)

**Prepared by:** Internal Auditor  
**Date of Issue:** 3<sup>rd</sup> January 2019

**Report No.:** CEX/11/2018/AU

## REVIEW OF BUSINESS RATES FOR 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Business Rates for 2018-19. The audit was carried out in quarter 3 of 2018-19 as part of the programmed work specified in the 2018-19 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 3<sup>rd</sup> September 2018.
4. A Client Team for the London Borough of Bromley (the Authority) liaise with the Exchequer contractor, who are contracted to undertake business rate administration for the Authority.
5. A 'Revaluation Support' project (the Project) is in place to assist Bromley business rate payers due to the recent revaluation. For the financial year 2017-18, the Project had an amount of £1,404,760 which could be awarded to business owners to help in the payments of their business rate fees, due as long as certain criteria were met. For the 2017-18 financial year, a total of £1,392,836 the equivalent of 99.15% of the aforementioned amount was distributed. Any funding not allocated by the end of the September following the end of the financial year, will be lost.
6. For the 2018-19 financial year, the Authority will have approximately £700,000 to assist business rate payers. Of this, as at September 2018, a total of £252,434 (which amounts to approximately 37%) had been allocated.

### AUDIT SCOPE

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

### AUDIT OPINION

8. 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 BUSINESS RATES FOR 2018-19

### MANAGEMENT SUMMARY

9. Controls noted to be in place and working well, based on the sample testing conducted, included:
- A copy of the Authority's business rates policies and procedures was obtained and confirmed to be in line with the latest Government legislation and changes to business rates.
  - A sample of 10 business rate collections was tested out of a total of 1048 of active businesses as at 31<sup>st</sup> March 2018. Business rate bills were confirmed to be issued on time with the associated calculations documented on the system.
  - Business rate payments for the aforementioned sample were confirmed to be up to date. A sample of 10 business rate reliefs was tested (small business rate relief, rural rate relief, charitable rate relief, enterprise zone relief and hardship relief) and were found to be allocated correctly, with supporting documentation retained.
  - Monthly business rate reports were produced and sent to the Authority by the Exchequer contractor.
  - A sample of 10 write-offs was tested, (from those sent from the Exchequer contractor to the Authority for the January 2018 write-off batch). These write-offs sampled were evidenced to have been reviewed, investigated and then subsequently authorised by the Authority. These write-offs sampled were all actioned on the system by the Exchequer contractor in a timely manner.
  - Executive meetings were held between the Head of Revenues and Benefits and the Director of Finance to discuss the administering of local business rate relief, progress was monitored and the strategy was revisited in subsequent meetings.
  - Complaints are sent via email to the Exchequer contractor, a draft response is sent to the Authority where it is reviewed and approved before being issued to the customer. In 2017-18, there were three complaints, two were unfounded and one was founded. In 2018-19, at the time of the Audit in October 2018, there was one ongoing complaint that was under-going investigation.
10. However, we would like to bring to management attention the following issues:
- One refund from a sample of 10 refunds tested (from a total population of 990) was found where the refund requested did not match the refund stated in the local authority's system. This was still authorised.

## REVIEW OF BUSINESS RATES FOR 2018-19

- One of the sample of 10 arrears tested did not have a formal recovery letter and a court summon letters retained in the system.

### SIGNIFICANT FINDINGS (PRIORITY 1)

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

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

12. 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

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

**REVIEW OF BUSINESS RATES FOR 2018-19**

**DETAILED FINDINGS**

**APPENDIX A**

No.	Findings	Risk	Recommendation
1.	<p><b><u>Refunds</u></b></p> <p>Business rate refunds normally occur when there has been a change in legislation or a change in the way business rates are calculated. Where a refund is due, it is the business' responsibility to contact the Authority to request a refund.</p> <p>A sample of 10 refunds from a total of 990 refunds was selected from the Authority's system detailing account information and the system which stores documented information.</p> <p>For an account, three emails were sent by the payee to the Authority on the 20<sup>th</sup> March 2018 requesting three separate refunds of £71.41, £57.97 and £121.81, which totalled £251.19.</p> <p>Credit amounts as per the account recorded on the system, however were recorded as the following £39.12, £48.19 and £121.81 totalling £209.12. The account was therefore in credit £209.12, with £251.19 being requested by the payee. A refund was paid by the Authority to the payee of £251.19 instead of the actual credit amount of £209.19 as per the account.</p>	<p>Where refunds paid do not match the credit amount as per the system, there is a risk that the Authority refunds the incorrect amount.</p>	<p>It should be ensured that refunds match credits on accounts.</p> <p><b>(Priority 2)</b></p>

**REVIEW OF BUSINESS RATES FOR 2018-19**

**DETAILED FINDINGS**

**APPENDIX A**

No.	Findings	Risk	Recommendation
2.	<p><b><u>Arrears Recovery Documentation</u></b></p> <p>The business rates arrears procedure starts with notifying the debtor of an arrear or a missed payment. A first letter is generated if the debtor does not contact the Authority to resolve the matter. A second letter is subsequently sent if the matter is not resolved and a court summons thereafter.</p> <p>A sample of 10 arrears was selected. Evidence of supporting documentation could not be located on the system and in one instance – no evidence of letter 1 being sent or the Court Summons letter being sent.</p>	<p>Where evidence of all steps in the recovery procedure is not scanned and uploaded onto the system, the Authority will have difficulty reviewing these cases should further dispute arise.</p>	<p>Evidence of all correspondence between the Authority and the client should be recorded on the system.</p> <p><b>(Priority 2)</b></p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1.	It should be ensured that refunds match credits on accounts.	2	It is agreed that the sum refunded should not exceed the credit on the account.	Head of Revenues and Benefits	Ongoing
2.	Evidence of all correspondence between the Authority and the client should be recorded on the system.	2	Evidence of all correspondence between the Authority and the client should be recorded on both systems.	Head of Revenues and Benefits	Ongoing

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

### REVIEW OF HEALTH AND SAFETY AUDIT FOR 2018-19

**Issued to:** Charles Obazuaye, Director of Human Resources and Customer Services  
Shriya Koosyial, Corporate Safety Advisor

**Cc (Final only)** Claire Martin, Head of Finance, Environment and Community Services and Corporate

**Prepared by:** Principal Auditor

**Date of Issue:** 18<sup>th</sup> January 2019

**Report No:** CORP 05/2018/AU

## REVIEW OF HEALTH AND SAFETY AUDIT 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Health and Safety. The audit was carried out in quarter 3 as part of the programmed work specified in the 2018/19 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. Any Priority 1 recommendations or Nil/Limited Assurance opinions must be considered for inclusion in the Department's Risk Register.

### AUDIT SCOPE

3. The scope of the audit was outlined in the Terms of Reference issued on 1<sup>st</sup> November 2018.

### AUDIT OPINION

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

### MANAGEMENT SUMMARY

5. Organisations have a legal duty to put in place suitable arrangements to manage for Health and Safety. The Health and Safety at Work etc. Act 1974 is the primary piece of legislation covering occupational health and safety in Great Britain and is supplemented by the Management of Health and Safety at Work Regulations (1999) and guidance from the Health and Safety Executive.

## REVIEW OF HEALTH AND SAFETY AUDIT 2018-19

6. Historically, the Corporate Safety Unit comprised a Manager, three Safety Advisors and an Administration Assistant. In the last ten years, this has reduced and is now one part time member of staff employed for three days a week, who was appointed in March 2018. The function reports to the Director of Human Resources, having moved from the Environment and Community Services Directorate earlier in the 2018/19 Financial Year.
7. The level of Employers' Liability Claims remains few in number - between 4 and 6 most years.
8. Our testing identified the following issues which we would like to draw to management's attention. Some of these can be remedied with relative ease by refreshing and relaunching existing documents and processes:-

### **Risk Assessments**

- A full suite of comprehensive Health and Safety Risk Assessments (Risk Assessment Universe) is not held. The Authority is not, therefore, able to demonstrate that it has assessed its Health and Safety risks and has action plans in place to implement controls.

### **Control Framework**

- Whilst a Control Framework for Health and Safety is in place, this does not reflect the current structure and the process in practice is disjointed. Corporate oversight and strategic links could not be evidenced and resilience may be compromised as there is no professional cover outside of the Corporate Safety Advisor's core days of Tuesday – Thursday.

### **Health and Safety Policies**

- A suite of Health and Safety Policies is in place and available to all staff electronically. These, however, are not subject to regular review, with 21/24 not updated since 2014.

### **Measuring and Reviewing Performance**

- Whilst accident statistics and details are collated from the AR3 forms with the statistics available to the internal Health and Safety Groups, there is not an effective performance reporting system supported by performance measures.

## REVIEW OF HEALTH AND SAFETY AUDIT 2018-19

### First Aid

- The list of Civic Centre First Aiders held electronically and displayed on Notice Boards across the Civic Centre site does not accurately detail the staff members holding a valid First Aid Certificate.
- There is no process in place for monitoring the First Aid Boxes to ensure that they remain fully stocked.

### Employers' Liability Insurance

- A copy of the current Employers' Liability Insurance Certificate could not be located, either electronically available to staff or on display at the Civic Centre site; however this has now been rectified.

## SIGNIFICANT FINDINGS (PRIORITY 1)

9. The following Significant Finding was identified:-

A full suite of comprehensive Health and Safety Risk Assessments (Risk Assessment Universe) is not held. Failure to manage risks, as required by the Management of Health and Safety at Work Regulations 1999 and subsequent Health and Safety Executive (HSE) legislation, could result in injury leading to financial penalties and/or reputational damage.

## DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

## ACKNOWLEDGEMENT

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p><b>Risk Assessments</b>                      A full suite of comprehensive, fully documented Health and Safety Risk Assessments (Risk Assessment Universe) is not held. The Authority is not, therefore, able to demonstrate that it has assessed its Health and Safety risks and has action plans in place to implement controls.</p>	<p>Non compliance with the Management of Health and Safety at Work Regulations 1999 and subsequent Health and Safety Executive (HSE) legislation.</p> <p>Failure to manage risks could result in injury leading to financial penalties and/or reputational damage.</p>	<p><b>Health and Safety Risk Assessments must be undertaken across the organisation. Action plans should be developed, prioritising actions for implementation, and kept under review.</b></p> <p><b>Guidance should be provided to managers to enable them to do this, with consideration given to parameters to ensure both full coverage and the avoidance of duplication in shared areas. Boundaries with the remit of the Authority's Total Facilities Management contractor should be established.</b></p> <p><b>[Priority 1]</b></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><b>Control Framework</b>                      Whilst a Control Framework for Health and Safety is defined in the Authority’s Health and Safety Policy number 1.02 ‘Organisation’, this does not reflect the current structure and the process in practice is disjointed. Corporate oversight and strategic links could not be evidenced and resilience may be compromised as there is no professional cover outside of the Corporate Safety Advisor’s core days of Tuesday – Thursday.</p>	<p>i) Lack of an up to Control Framework, known to and understood by all staff, could lead to an organisational lack of commitment to Health and Safety.</p> <p>ii) Lack of clarity of Strategic and Operational links throughout the process could lead to the Control Framework not covering all of the core elements of Health and Safety.</p>	<p><b>i) The Control Framework should be refreshed to reflect the current structure and relaunched to all members of staff. Roles within the Health and Safety workstream and the supporting training available should be reiterated. The relaunch should reinforce senior management’s commitment to Health and Safety.</b></p> <p><b>ii) The Terms of Reference for all Health and Safety Groups within the Authority should be reviewed, ensuring Strategic and Operational links and clarity of function.</b></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
		iii) During the Corporate Safety Advisor’s absence (non working days, holidays or sickness), there is no equivalent professional/‘competent’ point of referral within the organisation.	iii) <b>Consideration should be given to the level of Corporate Resilience within the organisation with particular reference to the Corporate Safety Advisor’s non working days, holiday and sickness.</b>  [Priority 2]
3	<b>Health and Safety Policies</b> Whilst a suite of Health and Safety Policies is in place and available to all staff electronically, these are not subject to regular review, with 21/24 not updated since 2014.	Without a suite of up to date policies, staff may lack clear direction and understanding as to how Health and Safety is managed and their role within the workstream.	i) <b>The suite of Health and Safety Policies should be reviewed and updated where necessary, ensuring an appropriate level of staff and union engagement.</b>

**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
			ii) The approval process for policies should be defined.  iii) Annual reviews of all policies should be incorporated into the Health and Safety work programme.  [Priority 2]
4	<b>Measuring and Reviewing Performance</b> Whilst accident statistics and details are collated from the AR3 forms and the statistics are available to the Health and Safety Groups, there is not an effective performance reporting system in place supported by performance measures.	Lack of an effective reporting system may lead to issues remaining unidentified and a consequent lack of understanding as to causes, or what may be required to address them and improve performance.	<b>A performance reporting system should be developed and the outcomes of the monitoring presented to key decision makers within the organisation.</b>  [Priority 2]

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

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

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
5	<p><b>First Aid</b></p> <p>i) The list of Civic Centre First Aiders held electronically and displayed on Notice Boards across the Civic Centre site does not accurately detail the staff members holding a valid First Aid Certificate. One member of staff listed left in August 2018 and staff who passed the course in June 2018 have not been added.</p> <p>ii) There is no process in place for monitoring the First Aid Boxes to ensure that they remain fully stocked.</p>	<p>Lack of an up to date and accessible list of First Aiders could lead to a delay in the provision of medical attention.</p>	<p><b>i) The list of Civic Centre First Aiders should be updated, distributed and all old lists removed.</b></p> <p><b>ii) Clarity should be obtained as to whom is responsible for ensuring that the First Aid Boxes are fully stocked and the process for replenishment.</b></p> <p><b>[Priority 2]</b></p>

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

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

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
6	<p><b>Employers' Liability Insurance</b>                      A copy of the current Employers' Liability Insurance Certificate could not be located either as electronically available to staff or on display at the Civic Centre site.</p>	<p>Non compliance with Health and Safety Executive 'Managing for Health and Safety' and 'Health and Safety Made Simple' Guidance.</p>	<p><b>A copy of the current Employers' Liability Insurance Certificate should be made available either electronically to all staff or displayed at the Civic Centre site.</b></p> <p><b>[Priority 3]</b></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><b>Risk Assessments</b> Health and Safety Risk Assessments must be undertaken across the organisation. Action plans should be developed, prioritising actions for implementation, and kept under review.</p> <p>Guidance should be provided to managers to enable them to do this, with consideration given to parameters to ensure both full coverage and the avoidance of duplication in shared areas. Boundaries with the remit of the Authority's Total Facilities Management contractor should be established.</p>	1	<p>a) Arrangements will be put in place to collate individual risk assessments into a Departmental Suite and cross-cutting risk assessments e.g. homeworking into a Corporate Suite.</p> <p>b) Corporate risk assessment procedures and accompanying guidance will be prepared and relaunched with training and Managers Briefing by the Corporate Health &amp; Safety Advisor.</p>	Corporate Health & Safety Advisor	April/May 2019

**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><b>Control Framework</b></p> <p>i) The Control Framework should be refreshed to reflect the current structure and relaunched to all members of staff. Roles within the Health and Safety workstream and the supporting training available should be reiterated. The relaunch should reinforce senior management’s commitment to Health and Safety.</p> <p>ii) The Terms of Reference for all Health and Safety Groups within the Authority should be reviewed, ensuring Strategic and Operational links and clarity of function.</p>	2	<p>a) The corporate oversight for Health &amp; Safety will be managed by the revamped Corporate Health &amp; Safety Group chaired by the Director of Human Resources &amp; Customer Services reporting to the Corporate Leadership Team and the Chief Officers’ Executive; both chaired by the Chief Executive.</p> <p>b) The Corporate Health &amp; Safety Group will provide a 6-monthly monitoring report to the Corporate Leadership Team and Chief Officers’ Executive.</p> <p>c) The Terms of Reference for the Corporate Health &amp; Safety</p>	Director of HR & Customer Services/ Corporate Health & Safety Advisor	April/May 2019

**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
	iii) Consideration should be given to the level of Corporate Resilience within the organisation with particular reference to the Corporate Safety Advisor’s non working days, holiday and sickness.		Group are being updated. The membership of the Group is also being reviewed to reflect any departmental changes.		
3	<p><b>Health and Safety Policies</b></p> <p>i) The suite of Health and Safety Policies should be reviewed and updated where necessary, ensuring an appropriate level of staff and union engagement.</p> <p>ii) The approval process for policies should be defined.</p> <p>iii) Annual reviews of all policies should be incorporated into the Health and Safety work programme.</p>	2	<p>a) The newly-appointed Corporate Health &amp; Safety Advisor is already looking to review and update the suite of Health &amp; Safety policies and procedures starting with the:</p> <ul style="list-style-type: none"> <li>(i)Lone Working procedure, and</li> <li>(ii)Risk Assessment procedure.</li> </ul> <p>b) All Corporate Health &amp; Safety policies and procedures will be considered by the Corporate Health &amp; Safety Group and approved by the Corporate Leadership Team.</p>	Director of HR & Customer Services/ Corporate Health & Safety Advisor	Ongoing, commencing immediately

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

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

**Priority 3**  
**Identification of suggested areas for improvement**

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	<p><b>Measuring and Reviewing Performance</b>                      A performance reporting system should be developed and the outcomes of the monitoring presented to key decision makers within the organisation.</p>	2	See 2(b) above.	Corporate Health & Safety Advisor	Ongoing, commencing immediately
5	<p><b>First Aid</b>                      i) The list of Civic Centre First Aiders should be updated, distributed and all old lists removed.                       ii) Clarity should be obtained as to whom is responsible for ensuring that the First Aid Boxes are fully stocked and the process for replenishment.</p>	2	<p>a) Following a recent assessment a total of 22 First-Aiders have been recruited for the Civic Centre, new First-Aid boxes allocated to each First-Aider.</p> <p>b) Circa £1k has been ear-marked from HR budget for restocking First-Aid boxes in the Civic Centre.</p>	Corporate Health & Safety Advisor/ Head of Workforce Development	April/May 2019

**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
			c) Similar review of First-Aid arrangements in the satellite office will be commissioned.  d) Mental First-Aid training is also being commissioned for all First-Aiders.		
6	<p><b>Employers' Liability Insurance</b></p> <p>A copy of the current Employers' Liability Insurance Certificate should be made available either electronically to all staff or displayed at the Civic Centre site.</p>	3	<p>The 2018/19 Employers' Liability Insurance Certificate has now been published on the Managers' Toolkit and can be accessed via the link below</p> <p><a href="#">2018/19 Employers' Liability Insurance Certificate</a></p>	Completed	17 <sup>th</sup> January 2019

**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.

<b>Assurance Level</b>	<b>Definition</b>
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

### REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) AUDIT FOR 2018-19

**Issued to:** Mark Bowen, Director of Corporate Services  
Vinit Shukle, Head of ISD  
Lucinda Bowen, Head of Information Management

**Cc** Head of Audit

**Prepared by:** Principal Auditor

**Date of Issue:** 11 February 2019

**Report No:** CORP/06/2018/AU

## AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

### INTRODUCTION

1. This report sets out the results of our audit of Information Governance and General Data Protection Regulations for 2018-19. The audit was carried out in quarter three as part of the programmed work specified in the 2018/19 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 30 August 2018. An external review of GDPR and Information Governance was carried out in 2017 by Contractor 'A'. Following the review, which made 51 recommendations, actions plans were put in place by management and monitored by using a percentage rating for the completion of each recommendation.
4. We have therefore examined the progress made for implementing these and verified the supporting evidence. Our testing shows that 16 out of the 51 recommendations made have been fully implemented with the remaining recommendations at varying stages of completion. This approach has helped us to form an overall audit opinion on the controls put in place at a corporate level over GDPR and Information Governance.
5. We have also placed reliance on other relevant work carried out by management, notably the compliance with the IG toolkit: an on-line system which allows organisations to assess themselves or be assessed against Information Governance policies and standards. Following evidence submitted, the Council has recently been awarded an overall rating of 'Satisfactory'.
6. A separate external review of information governance has been carried out by the Council's insurer as part of their engagement with the Council to provide advice on risk management, insurance and related services. We have liaised with them during our audit to complement and avoid duplication of the work undertaken.

## AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

7. Whilst this audit has focussed on the GDPR and information governance controls put in place corporately, an audit review of the controls locally within Directorates will be included in the 2019/20 annual audit plan.

### AUDIT OPINION

8. For this audit we have given a split audit opinion as follows:

Governance and policies and procedures – **Substantial**

Training and awareness and arrangements for the collecting, processing, storing, sharing of data and disposal of IT equipment containing personal data - **Limited**

Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

9. Controls and areas of good practice are in place over the governance arrangements and policies and procedures. Whilst controls have been put in place over awareness and training and for the collecting, processing, storing and sharing of data, there are issues within those areas which need to be addressed. They are included in the summaries below.

#### Governance

An Information Governance Board is in place. Terms of reference for the Board have been set out and agreed and the Board meets regularly. The Council has appointed a Data Protection Officer, Senior Information Risk Owner and a Principal Information Assurance Officer (now promoted to Head of Information Management). There is a nominated Caldicott Guardian for Health and Social Care.

## AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

### Policies and procedures

Policies and procedures have been documented, reviewed and approved. There are two policies currently in draft form and awaiting approval. The policies are published on the intranet and therefore available to all staff. We have recommended that they are set out in a hierarchical structure on the intranet site to show their relative importance and how they link to each other.

### Training and awareness

A newsletter on IT matters is sent to all staff periodically and specific guidance on Information Governance was issued to all staff in May 2018. On-line training for GDPR and Information Governance has been introduced with two modules launched so far. These are mandatory for all staff to complete. Guidance on GDPR and Information Governance is also given to staff at their induction course. IT currently include a link in the introductory email to all new employees when they are set up as a new user on the Council's IT network.

There are areas of training and awareness where improvements could be made. These include providing information on GDPR and Information Governance in the joining pack sent to new members of staff and reminding managers to ensure that new staff complete the on-line information governance course modules within their first week of employment.

There are however no follow up arrangements in place to identify and notify Directors of their staff who have not completed the on-line training modules. The 'Information Governance – guidance for staff' dated 24/05/2018 and issued to all employees showed the timetable for the roll out of the six on-line training modules. The first two modules were issued on time but we note that roll out of the next two modules is behind schedule.

There is no formal instruction on the covering sheet on files reminding social care staff not to remove files off site and to adhere to the relevant security arrangements eg keeping them locked away overnight/when not in use.

## AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

### Arrangements for the collecting, processing, storing and sharing of data

Arrangements for the collecting, processing, storing and sharing of data require improvement. These activities have been impacted partly by the outcome of other current review work such as the external review of the information strategy by Contractor 'B' and awaiting the outcome of policy decisions within the Council. Our testing has identified the following areas where progress is being made but not yet complete:

- The compilation of a register of data sources,
- Documenting process maps of key data flows for all business areas,
- Creating and maintaining the information held on the Information Asset Register, Register of Processing Activities and Privacy Impact Assessments,
- Engaging with vendors of any database systems that do not support the data retention policy to find out what steps they are taking to modify their solutions to help support data controllers' compliance, including privacy information of each data subject and
- Out of 380 processor contract agreements required to be signed by contractors, there are only 19 uploaded to the relevant depository. A further 4 contracts have now ended.

For each of the areas highlighted above, together with the roll-out of the modules of on-line training, delays to completing these tasks can be attributed to resourcing challenges within the IT team. This presents a risk to completing the implementation of all recommendations made in the external review of GDPR and Information Governance carried out in 2017. There is also a risk that, in any subsequent investigation, the Information Commissioner's Office may conclude that the Council is unable to demonstrate full compliance with the statutory responsibilities of GDPR and Information Governance. We have recommended that management review the resources available and what remedial action can be put in place to address these risks. In conjunction with this, management should re-introduce a regular and formal review of the implementation of the recommendations outstanding from the external review referred to in paragraph 3 of this report.

## AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

### Disposal of IT equipment containing personal data

Whilst there is a documented process and arrangements in place for the disposal of IT equipment, there are some areas which require improvement. In particular, controls should be strengthened over the storage of equipment earmarked for disposal, reconciliation of disposal records and accompanying evidence to confirm that items of IT equipment containing personal data have been collected by the contractor and disposed of correctly.

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

10. There are none.

### **DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

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

### **ACKNOWLEDGEMENT**

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

AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p><u>Policies to be finalised</u></p> <p>An Individual Rights Policy and an Internal Review Policy have been drafted but need to be finalised and published on the Council's website.</p>	<p>Risk that the public are not aware of the Council's policy and what their entitlements are.</p>	<p>The Individual Rights Policy and the Internal Review Policy should be finalised and published on the Council's website.</p> <p>[Priority 2]</p>
2	<p><u>Hierarchical order of policies</u></p> <p>The Information Management site on onebromley shows the Council's GDPR and information governance policies which should be adhered to. There are 18 policies named and listed, but in no particular order.</p>	<p>Staff may not be aware of the relative importance of the policies or the significant aspects of each policy, resulting in the risk of a data breach.</p>	<p>GDPR and information governance policies should be set out in a hierarchical order showing their relative importance and how they relate to each other.</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**

AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p><u>Training and awareness for new staff</u></p> <p>No information about GDPR or Information Governance is included in the joining pack which is sent to new employees by HR.</p>	<p>New employees are not made aware of the importance that the Council places on compliance with GDPR and information governance.</p>	<p>HR should include a copy of the 'Information Governance - Guidance for staff in the joining pack which is sent to new employees.</p> <p>[Priority 2]</p>
4	<p><u>Training and awareness for new staff</u></p> <p>When they are set up as a new user on the IT network new users are sent an email by IT about the importance of completing the information governance on-line training. This email is not copied to the individual's manager as IT are not aware who the manager will be.</p>	<p>New employees do not undertake the information governance on-line training, resulting in a lack of knowledge and awareness and, as a consequence, risk of data breaches.</p>	<p>Managers should remind new employees of the importance of completing the information governance on-line training within the first week of starting their employment.</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**

AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
5	<p><u>Follow up arrangements for on-line training</u></p> <p>Two on-line training courses and accompanying tests have been set up for GDPR and Information Governance. All staff are required to complete them. There has been a 100% completion rate of the first module. The second module, which should have been completed by 30 September 2018, has a 60% completion rate. No follow up arrangements are in place however to identify and notify relevant Directors of those staff who have not completed it.</p>	<p>Staff are not aware of what action to take in certain situations, resulting in a lack of knowledge and awareness and risk of consequent GDPR breaches.</p>	<p>A follow up process is put in place to identify and notify relevant Directors of employees who have not yet completed the second on-line GDPR training module.</p> <p>[Priority 2]</p>
6	<p><u>Training and awareness for children’s social care staff</u></p> <p>From discussion with the Senior Support Services Assistant and Safeguarding Support Assistant, there is no formal instruction on the covering file sheet reminding children’s social care staff not to remove files off site and to adhere to the relevant security arrangements eg keeping them locked away overnight/when not in use.</p>	<p>Risk of loss of original source of personal and sensitive data if a file is mislaid, leading to a data breach with a significant fine imposed by the ICO and damage to the Council’s reputation.</p>	<p>ECHS support services team should revise the wording on the covering file sheet of a client to state clearly that the file must not be taken off site and must be kept secure when not in use.</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**

AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
7	<p><u>Arrangements for the collecting, processing, storing and sharing of data</u></p> <p>For each of the areas highlighted below, together with the roll-out of the remaining modules of on-line training, delays to completing these tasks can be attributed to resourcing challenges within the IT team:</p> <ul style="list-style-type: none"> <li>• The compilation of a register of data sources,</li> <li>• Documenting process maps of key data flows for all business areas,</li> <li>• Creating and maintaining the information held on the Information Asset Register, Register of Processing Activities and Privacy impact Assessments,</li> <li>• Engaging with vendors of any database systems that do not support the data retention policy to find out what steps they are taking to modify their solutions to</li> </ul>	<p>Risk of not completing timely the implementation of all recommendations made in the external review of GDPR and Information Governance carried out in 2017.</p> <p>Risk that, in any subsequent investigation, the Information Commissioner’s Office may conclude that the Council is unable to demonstrate full compliance with the statutory responsibilities of GDPR and Information Governance.</p>	<p>Management should review what resources are available and how they can be used to progress the completion of the outstanding tasks arising from the 2017 external review.</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**

AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>help support data controllers' compliance, including privacy information of each data subject and</p> <ul style="list-style-type: none"> <li>Out of 380 processor contract agreements required to be signed by contractors, there are only 19 uploaded to the relevant depository. A further 4 contracts have now ended.</li> </ul>		
8	<p><u>Implementation of recommendations arising from external review</u></p> <p>Action is being taken by IT to implement the recommendations arising from the external review carried out in 2017. A percentage completion rating has been introduced for each recommendation. Progress has not however been formally reviewed recently.</p>	<p>Risk that progress on implementing the recommendations arising from the external review is not maintained and the Council is unable to demonstrate full compliance with the statutory responsibilities of GDPR and Information Governance.</p>	<p>Management should re-introduce a regular and formal review of the implementation of the recommendations outstanding from last year's external review.</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**

AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
9	<p><u>Disposal of IT equipment containing personal data</u></p> <p>Our testing identified that there is no independent reconciliation of the items recorded and stored for disposal by the Council’s IT contractor and collected by their disposal contractor, or the report listing the items disposed of and the certificates to confirm that the hard drives of pcs, laptops and tablets had been erased or destroyed. We carried out our own reconciliation of the most recent disposal of items and confirmed that appropriate certificates had been received for those items.</p> <p>At present, items awaiting collection are stored in rooms in the North Lodge. Whilst the majority of the IT equipment for disposal is encrypted, there are ‘old’ laptops and pcs stored which have not been encrypted. These items represent a greater risk of loss of personal data if the item is not properly secured. Our enquiries revealed that access to that building is not restricted to the Council’s contractor. We are aware that the building security staff employed by the Council’s facilities</p>	<p>Risk that IT equipment containing personal data is not disposed of correctly, leading to a data breach with a significant fine imposed by the ICO and damage to the Council’s reputation.</p>	<p>Management review the current arrangements in place for the disposal of IT equipment containing personal data, to ensure that :</p> <p>(i) items earmarked for disposal are kept secure with access restricted appropriately,</p> <p>(ii) when collecting the items for disposal the contractor signs to confirm which items are being taken away and</p> <p>(iii) a reconciliation is carried out of the data disposal certificates subsequently</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**

AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>management contractor also have access. We have been unable to verify if any other staff can access the property.</p> <p>The asset register is maintained by the Council’s IT contractor. There were 13 pcs, laptops and tablets which had been disposed of but for which there was no record on the asset register. The Head of ISD informed us that the IT transformation project due to take place will identify all IT equipment which has not previously been recorded on the Council’s asset register.</p>		<p>received from the contractor to the items taken away. Any discrepancies identified are investigated by the IT team.</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**

## AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

## MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	The Individual Rights Policy and the Internal Review Policy should be finalised and published on the Council's website.	2	The policies will be finalised at the next meeting of the Information Governance Sub-Group.	Head of Information Management	31 March 2019
2	GDPR and information governance policies should be set out in a hierarchical order showing their relative importance and how they relate to each other.	3	These will be re-structured on the intranet page and arrangements are being made to do this.	Head of Information Management	31 March 2019
3	HR should include a copy of the 'Information Governance - Guidance for staff' in the joining pack which is sent to new employees.	2	This has been actioned and a copy of the Newsletter detailing Information Governance guidance is being sent to all new Staff with their contract of employment.	Head of HR Strategy and Education	Implemented

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

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

**Priority 3**  
Identification of suggested areas for improvement

## AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

## MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	Managers should remind new employees of the importance of completing the information governance on-line training within the first week of starting their employment.	2	This is included on the Employee Induction Checklist, located on the intranet, which managers are required to complete for new starters.	Head of HR Strategy and Education	Implemented
5	A follow up process is put in place to identify and notify relevant Directors of employees who have not yet completed the second on-line GDPR training module.	2	A follow up process is being put in place. In the meantime, a reminder will be issued at the next meeting of the Information Governance Sub-Group. Results will be issued to Directors.	Head of Information Management	28 February 2019
6	ECHS support services team should revise the wording on the covering file sheet of a client to state clearly that the file must not	2	We have now revised the front sheet adding the following instruction:	Business Support Manager, Quality and Improvement, ECHS	Implemented

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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

AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	be taken off site and must be kept secure when not in use.		This File is Strictly Confidential and must not be removed from the Civic Centre  When the file is not being viewed it must be locked away securely.		
7	Management should review what resources are available and how they can be used to progress the completion of the outstanding tasks arising from the 2017 external review.	2	We are in the process of recruiting an additional member of staff. This will help us to complete the outstanding tasks.	Head of Information Management	31 July 2019
8	Management should re-introduce a regular and formal review of the implementation of the recommendations outstanding	2	The Information Governance Sub-Group is now meeting regularly. Weekly meetings are taking place within IT to discuss and review the	Head of Information Management	Implemented

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

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

**Priority 3**  
Identification of suggested areas for improvement

AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	from last year's external review.		information management workstreams. We are recruiting an additional member of staff and, when that person has been recruited, it will provide more resource to help us address this.		
9	<p>Management review the current arrangements in place for the disposal of IT equipment containing personal data, to ensure that :</p> <p>(i) items earmarked for disposal are kept secure with access restricted appropriately,</p>	2	<p>The Information Management page on onebromley has now been updated instructing staff how to dispose of items.</p> <p>(i) Items earmarked for disposal will be stored at a new secure location on site. This is currently being arranged and will be restricted to relevant IT and the</p>	Head of ISD and Head of Information Management	28 February 2019

**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**

AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	(ii) when collecting the items for disposal the contractor signs to confirm which items are being taken away and		<p>staff of the Council's IT contractor. The majority of the items stored are encrypted. We will put arrangements in place to ensure that data does not remain on any unencrypted items stored for disposal.</p> <p>(ii) The contractor now signs for the receipt of items when collecting them.</p> <p>(iii) Arrangements have now been put in place for a reconciliation to be carried out once the information including disposal certificates has</p>	<p>Head of ISD and Head of Information Management</p> <p>Head of ISD and Head of Information Management</p>	<p>Implemented</p> <p>Implemented</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**

AUDIT REVIEW OF INFORMATION GOVERNANCE AND GENERAL DATA PROTECTION REGULATIONS (GDPR) 2018-19

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	(iii) a reconciliation is carried out of the data disposal certificates subsequently received from the contractor to the items taken away. Any discrepancies identified are investigated by the IT team.		been received from the contractor.		

**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.

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

**FINAL INTERNAL AUDIT REPORT  
CHIEF EXECUTIVE'S DEPARTMENT**

**REVIEW OF THE PENSION FUND AUDIT FOR 2018-19**

**Issued to:** Peter Turner, Director of Finance  
Tracey Pearson, Chief Accountant  
James Mullender, Principal Accountant  
Fahar Rehman, Pensions Manager

**Cc** Head of Audit

**Prepared by:** Internal Auditor

**Date of Issue:** 1 November 2018

**Report No:** CEX/07/2018/AU

## REVIEW OF PENSION FUND FOR 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of the Pension Fund audit. The audit was carried out in quarter two as part of the programmed work specified in the 2018/19 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 11<sup>th</sup> July 2018.
4. The Council is party to a joint venture with a not-for-profit registered provider for property stock. In 2057, the joint venture agreement comes to its natural end. Where the pension fund is in deficit the Council can 'gift' the value of the deficit, or a value up to the deficit value to meet any shortfall in the pension fund using this property stock.
5. The Pension Payments audit will be issued in a separate report.

### AUDIT SCOPE

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

### 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.

### MANAGEMENT SUMMARY

8. Controls noted to be in place and working well, based on the sample testing conducted, included:

## REVIEW OF PENSION FUND FOR 2018-19

- The actuary for the pension fund, was recently tendered and a 6 year contract awarded to Company 'A' with an approximate total value £500k, including an option to extend for a further 3 years. The pension fund was last valued in 2016, in line with LGPS Regulations;
- There were regular reports to the Pensions Investment Sub-committee;
- The strategy for the pension fund was discussed within the Pensions Investment Sub-committee, advised by external parties and implemented for the long and short term;
- Risks for the pension fund were included on the risk register, RAG rated and assigned risk owners, and
- Controls were in place to mitigate identified risks as per the risk register.

However, we would like to bring to management attention the following issue:

- Quarterly Pension Fund Revenue Account summaries were not being evidenced as reviewed by a second officer on completion.

### 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.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1.	<p><b><u>Pension Fund Revenue Account</u></b></p> <p>The Capital Accountant, on a quarterly basis, produces a management summary of the Pension Fund revenue account/cashflow position. It represents good practice by providing an overview of the Local Authority's Pension Fund.</p> <p>Audit obtained the quarter 1 pension fund revenue account for the 2018-19 financial year. Examination of the document and discussion with the Principal Accountant established that there was no review/check of the quarterly management summary being undertaken by a second member of staff.</p>	<p>Where the pension fund revenue account is not produced by one officer and reviewed by a second officer, there is a risk that any discrepancies are not identified and managed in a timely manner.</p>	<p>The quarterly pension fund revenue account should be produced by one officer and be evidenced and reviewed by a second.</p> <p><b>(Priority 2)</b></p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1.	The quarterly pension fund revenue account should be produced by one officer and reviewed by a second.		Agreed	Principal Accountant and Capital Accountant	From January 2019 (for Q3 revenue account)

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 SERVICES

### REVIEW OF ST OLAVES SCHOOL AUDIT FOR 2018-19

**Issued to:** Andrew Rees, Head Teacher  
Dr Paul Wright, Chair of Governors (final report only)  
Schools Finance Team, (final report only)

**Cc:** Jared Nehra, Director of Education (final report only)  
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## REVIEW OF ST OLAVES SCHOOL AUDIT FOR 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of St Olaves School for 2018-19. The audit was carried out in quarter 3 as part of the programmed work specified in the 2018-19 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 20/11/18. The period covered by this report is from November 2017 to November 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 3rd and 4th December to complete a programme of testing for expenditure, income, financial management, budget monitoring, payroll, contract monitoring, voluntary fund, safeguarding assets, pecuniary interests, procurement card and lettings. The 14 recommendations raised in the previous audit report finalised on the 8/02/18 were followed up and progress to implement noted.
6. Interviews with the Finance Manager (FM) and the School Business Manager (SBM) and testing on recent data confirmed that 8 recommendations have been implemented. These related to procedure notes for financial processes, FM access to financial commitments, voluntary fund, block grant payments, pecuniary interests for staff, income generated from the mock tests being compliant to DfE guidelines, benefits in kind and reporting and transparency of all income streams available to the school.

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Four recommendations are partially implemented; the completion of the online IR35 assessment, notation on the ICT invoices to cross reference to the asset register, completion of cash flow statements and the scheme of delegation. One outstanding recommendation relates to the IT contract, which as a priority 1 recommendation has been followed up and reported to Audit Sub Committee in November and will be reviewed again for the February 2019 committee meeting. The other outstanding recommendation relates to the contract register; originally assigned to the SBM role. Given the significant challenges faced when the SBM was appointed in April, this task has not yet been addressed. The SBM has tackled contract issues as they have arisen but the discrete piece of work to review and revise the contract register is outstanding. Similarly the SBM needs to develop the contract management and monitoring procedures within the school. Internal Audit has forwarded the control matrix of suggested controls and matrices for contract management and monitoring. It is acknowledged that the SBM had no handover with her predecessor and there was limited paperwork to support the role.

7. The school have made significant progress to implement the recommendations raised in the previous audit report. It is acknowledged that the school has been through a period of change; officers, governors, appointments to the Headteacher and SBM posts and an increase of project work and spend, which impacted on the workload of the Finance Team. It is also acknowledged that the school were tasked with implementing the recommendations raised in the independent investigation report and the additional workload generated by that report.
8. The previous audit report finalised in February had raised the issue of authorisation as a general comment in the management summary as follows:

Authorisation – The Scheme of Delegation sets out the financial limits for authorisation, setting thresholds for SBM, Head Teacher, Finance Committee and Governing Body. The scheme states that “invoices must be authorised for settlement by the budget holder responsible”. With the change of personnel it is timely to remind all authorising officers of their responsibility to comply with section 7 of the Financial Regulations for Schools. Section 7.4.1 of the Regulations state that *“the overriding principle to be adhered to is that the authorisation and certification checks should be meaningful. To this end, they should be carried out and evidenced by those members of staff who are in a position to judge whether goods and services have actually been received or whether invoice prices are correct. The evidence should also be unambiguous, an isolated signature on an invoice does not make it clear what has been checked or what is being authorised or certified and is therefore unacceptable”* The signature template used for the invoice does not clarify that the authorisation officer has completed the required checks.

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9. Audit testing this time has identified a weakness in the expenditure process, specifically the separation of duties and authorisation controls. A recommendation has therefore been raised for the school to review and revise the expenditure process including a requirement to raise awareness of budget holders, SLT and Finance officers as to their role and responsibilities. The other issues requiring management attention are as follows:-
- The Scheme of Delegation does not accurately reflect the working practices and similarly the limits set out in the document are not adhered to.
  - The sample of expenditure identified several findings; no date on the order request form, no signature for the goods received box, unauthorised officers signing off an invoice and expenditure not supported by an order. For payments over £5K where quotes were required, the decision to award, extend the project or waive Financial Regulations was not supported by an adequate audit trail. The contract payment to Contractor A was made in advance but the contract states quarterly in arrears.
  - 2/16 payments to individuals had not been checked to the HMRC online assessment.
  - Claim forms processed through the system as a cheque request, petty cash and credit card transactions were not authorised.
  - There is no central log to account for the individual asset sheets returned from the departments. The stocktake is scheduled to be completed at the end of the summer term but the certification of the asset register by the Headteacher is still outstanding.
  - The pecuniary interest forms signed by the Governors are held by the Clerk to Governors and were not available on site.
  - The FM does not have sight of the draft minutes of the Finance Committee and only receives the final version of the minutes as part of the agenda for the next meeting. This does not allow scrutiny by the FM to ensure reports taken to committee and discussed are accurately represented in the minutes.
10. During the course of the audit the previous recommendations were followed up. As discussed in paragraph 6 above the recommendations relating to the IT contract and the contract register have been re-recommended. Three of the four partially implemented recommendations were followed up as part of the audit testing this year. The outstanding element has been re recommended and highlighted with a “\*” against the priority rating. For cash flow statements the training has now been received and once the first month’s statement is reviewed by Internal Audit this re recommendation may be removed.

**SIGNIFICANT FINDINGS (PRIORITY 1)**

11. No new priority 1 findings were reported this time.
12. The outstanding priority 1 recommendation relating to the IT contract was followed up again in January to be reported to the Audit Sub Committee in February 2019. The work done to date on the IT retendering and the schools approach to procurement since April 2018 supported the satisfactory implementation of this priority 1 recommendation.

**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.

**AUDIT OPINION**

14. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Opinion definitions are given in Appendix C. However, as discussed in paragraph 7 above, Internal Audit acknowledge the significant progress to implement recommendations raised in the previous audit report, the changes in the management structure and the impact this has had on the Finance function and the resources required to consider the independent report.

**ACKNOWLEDGEMENT**

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p><b>Authorisation</b></p> <p>The previous audit identified that with a new Head, Chair and SBM it was timely to review the financial procedures, roles and responsibilities. A new stamp has been introduced to authorise the invoice for payment. The stamp requires the budget holder to authorise payment but also for the appropriate officer to sign that goods/services have been satisfactorily received. The new procedure was issued to all staff via e-mail on 6/7/18.</p> <p>Audit testing showed that for 4 payments where the goods received box should have been signed, this authorisation had been omitted. Sample 1 £1,800, Sample 2 £2,375, Sample 17 £32,142 and Sample 20 £13,400</p> <p>The current expenditure process is reliant on the budget holder; this officer authorises the request for order, receives the goods/services and authorises the invoice. Separation of duties is offered by the Finance Officer, who is not an authorised signatory and the two cheque signatories. Without seeing the returned cheques audit cannot verify that three officers were involved in the expenditure process.</p>	<p>Unauthorised expenditure may be processed through the school accounts.</p> <p>Payment may be made for goods not received in full or a service that is not as ordered.</p>	<p><b>All officers involved in the authorisation process to be aware of what their signature represents to ensure that their authorisation is meaningful.</b></p> <p><b>The goods received part of the process should be evidenced to give the authorising officer assurance to proceed to payment. Although this has been rolled out in an e-mail supplementary training or instruction from SLT should support compliance to this procedure.</b></p>

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

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**Priority 3**  
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	<p>The key control is at the start of the process so it is preferable that the budget holder (officer 1), with delegated authority, signs the order/requisition. The most appropriate officer should sign the goods/service received box usually the budget holder if the invoice relates to faculty expenditure.</p> <p>A different officer (officer 2) should then authorise the invoice having checked the prices to the order, the VAT and that the goods/service received box has been signed. Two authorised signatories nominated on the bank mandate form should then sign the cheque and initial the invoice. The school have suggested that the Finance Manager authorises the invoice and staff from the SLT sign the cheques.</p>		<p><b>The school must review and revise their authorisation procedure for expenditure payments. The officers allocated to each task must be the most appropriate and be aware of their role and responsibility. At all times three officers must be authorising each payment to achieve separation of duties and comply with Financial Regulations.</b></p> <p><b>Priority 2</b></p>

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2	<p><b>Scheme of Delegation</b></p> <p>The Scheme of Delegation was taken to the Finance Committee in May 2018 and Governors agreed that this policy should be updated. The SBM included new sections for spending thresholds, authorisations, Terms of Reference for the Finance Committee, payroll authorisation and signatories list.</p> <p>The bank mandate refers to one of the listed signatories to sign cheques up to £1,000 and then 2 signatures for all cheques more that £1,000. The FM confirmed this is the adopted practice but was not stated in the Scheme of Delegation. Internal Audit would advise that good practice would require 2 signatures for all payments.</p> <p>Under the “authorisation of expenditure” section of the current Scheme of Delegation the HT and SBM are required to authorise all expenditure up to £15K but in practice budget holders are authorising requisitions and invoices. It is the responsibility of the school to set financial limits (within those imposed by Financial Regulations) but it is suggested that the</p>	<p>Delegated duties and financial limits agreed by Governors may not be adhered to</p>	<p><b>The school should ensure that the working practices are accurately reflected in the Scheme of Delegation and similarly that the limits set out in the Scheme of Delegation are adhered to. (Priority 2*)</b></p> <p><b>Two specific areas for review are the authorisation limits and the cheque signatories.</b></p> <p><b>Once the amendments have been completed the revised Scheme of Delegation will need to go back to Governors for minuted approval.</b></p>

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	<p>current limits are too inflexible and need to be revised.</p> <p>As previously recommended the Scheme of Delegation needed to be reviewed, although this has been progressed there are still revisions to be made before the document can be submitted to Governors for final approval.</p>		<p><b>The Scheme of Delegation should detail the owner, revised date and next review date embedded in the document footer.</b></p> <p><b>Priority 2</b></p>
3	<p><b>Expenditure Process</b></p> <p>A sample of 20 payments was selected from the bank history. The main issues arising were that:-</p> <ul style="list-style-type: none"> <li>• The purchase order request form is authorised by the budget holder but was not dated to evidence that the order was raised when the expenditure was committed.</li> <li>• The financial limits set out in the Scheme of Delegation currently state that expenditure up to £15K is to be authorised by the Head master and SBM, £15k to £25K Finance Committee and &gt;£25K Full Governing Body; these limits had not been adhered to.</li> </ul>	<p>Unauthorised expenditure may be processed through the school accounts.</p> <p>Payments may not be made in compliance with Financial Regulations and the School's own procedures</p>	<p><b>The authorising officer should date the purchase order request form.</b></p> <p><b>The finance staff should ensure that before payment the agreed procedure and authorisation has been evidenced; the goods</b></p>

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	<ul style="list-style-type: none"> <li>The requirement to sign that goods and services have been received was issued to all staff in July 2018. For samples 1, 2, 17 and 20 this section had not been authorised and Finance had not followed up to ensure that the procedure is completed before payment.</li> <li>Expenditure &gt;£5K was supported by 3 competitive quotes but the decision to award from those quotes was not clear and although explained by the premises manager, should be documented (sample 8 - £10,272, Sample 12 – £16,858.80, Sample 20 – £13,400).</li> </ul> <p>The SBM evidenced a “Site Management Project Checklist” that has been devised and will be used by officers moving forward to ensure an adequate audit trail is available for all projects.</p>		<p>received box has been completed and authorisation is within the Scheme of Delegation limits.</p> <p>The school should formally adopt the Project checklist to capture relevant information and authorisations to provide an adequate audit trail to support decisions for projects &gt;£5K.</p>

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	<p>The expenditure testing identified specific findings as follows:-</p> <ul style="list-style-type: none"> <li>• Sample 9 – £11,289.60 – the invoice was authorised by an officer not on the authorised signatory list. The invoice on the stamp evidences that one officer signed the cheque although the value exceeds the £1K limit set by the school. Only one signature was on the cheque for sample 3- £2,394.</li> <li>• Sample 11 – £14,292.24 – There is no order and the only supporting documentation is an e-mail from the previous SBM to the Finance Manager.</li> <li>• Sample 15 – £23,709.56 – only 1 quote received, 2 suppliers declined to quote (1 contractor was already committed and couldn't resource the project the other would only quote on a job referred by a qualified architect/surveyor). In this instance the school should have sought other quotes or the H/T and Chair sign a waiver to accept the one quote.</li> </ul>		<p><b>Only officers nominated as authorised signatories should sign off orders or invoices.</b></p> <p><b>All expenditure should be supported by an authorised order or contract.</b></p> <p><b>If three competitive quotes cannot be sourced or the lowest quote is not accepted the Headteacher and Chair of Governors should sign a waiver to that effect.</b></p>

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	<ul style="list-style-type: none"> <li>Sample 16 – £ 29,338.25. This payment relates to the quarterly contract for technical support. The invoice is paid in advance for September, October and December but the contract specifies that payment is quarterly in arrears. This invoice has applied a 2.3% CPI but no uplift letter was received to notify the school of the increase. The school have now sourced a copy of the contract but it is only signed by the contractor. The SBM confirmed that she has had several meetings with the provider to monitor performance and delivery of the contract.</li> <li>Sample 17 – £32,142. This work related to emergency lighting required around the school. Three quotes were sourced but the format of the winning quote was in a summary format rather than the detailed specification returned by the other two contractors. The authorised purchase order was for £25,560 (net of VAT) but an additional £1,005 (4%) work was commissioned and charged on the invoice. An adequate audit trail should be available to authorise the additional work.</li> </ul>		<p><b>Contract payments to this provider should be quarterly in arrears as specified in the contract.</b></p> <p><b>The school should ensure that any uplifts are evidenced in writing at the start of the financial period to allow adequate provision and budget setting.</b></p> <p><b>Additional work should be authorised by the officer who commissioned the work. Before the invoice is paid the authorising officer should ensure that an adequate trail is evidenced to support the</b></p>

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	<ul style="list-style-type: none"> <li>Sample 18 – £139,560 and sample 19 - £170,799.59. Both contracts were tendered by Contractor B and a report was available to support the award of contract. In both cases, contractor B “strongly recommends that the Employer carry out its own financial investigation into the company selected”. The SBM confirmed that in neither case has she completed a financial investigation and was assured that contractor B had completed any checks required.</li> <li>Sample 20 – £13,400. There is no invoice number on the invoice to conform to accounting conventions. There were three quotes evidenced but these spanned nearly three months the earliest being the 19/1/18 the latest 16/3/18. The quotes were not measured against a standard specification, one company quoting for the whole job (which gave a lower unit cost), and the other two by room. The final order did not match the quotes and therefore may have impacted on the quotes submitted. Although the Premises Manager explained the rationale of the decision to award this should have been recorded and available as supporting</li> </ul>		<p><b>additional payment.</b></p> <p><b>The school should verify the terms of engagement for Contractor B to ensure the company delivered the service in full as commissioned.</b></p> <p><b>Financial investigations should be undertaken before the engagement of a major contract to confirm the financial viability of the contractor.</b></p> <p><b>All invoices paid must conform to accounting standards.</b></p> <p><b>Quotes should be compared to a standard</b></p>

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	<p>documentation.</p> <p>It is acknowledged that when the Headmaster was appointed there was an expectation that the planned refurbishment of classrooms and school areas needed to be completed as soon as feasible and this may have impacted on the procedure and record keeping for obtaining quotes and awarding work.</p>		<p><b>specification and the evaluation of these bids recorded to support the decision.</b></p> <p><b>Priority 2</b></p>

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4	<p><b>HMRC</b> From the bank history payments to named individuals was identified and checked to the HMRC online assessments.</p> <p>The main issues arising were:-</p> <ul style="list-style-type: none"> <li>• The school have retained the online assessments but there is no date or signature of the officer undertaking the assessment evidenced on the printout.</li> <li>• Of the 16 payments identified 11 were assessed to be self-employed and correctly paid through the creditors system. 1 payment was assessed to be payroll and was duly transferred to this method of payment.</li> <li>• Two of the payments were not supported by an online assessment</li> <li>• Two payments made to individuals could have been avoided. For one the company name was available and the other was a reimbursement on behalf of a parent.</li> </ul> <p>The previous audit raised a recommendation to complete online assessments, this has been partially implemented.</p>	<p>Non-compliance with HMRC regulations resulting in a financial penalty. As a voluntary aided school the Governors are the engaging Authority and the penalty would therefore have to be met by the school</p>	<p><b>The FM should date and sign the printout to evidence when the online assessment was completed.</b></p> <p><b>Online assessments should be completed in all instances where a payment to an individual is planned. (Priority 2*)</b></p> <p><b>Payment to a named individual should only be processed if appropriate and there is no other option.</b></p> <p><b>Priority 2</b></p>

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5	<p><b>Authorisation of claim forms – GL/petty cash/credit card</b>                      A sample of 10 GL transactions was selected from the bank history. The payment and supporting documentation was verified against the expenditure procedures. Two issues arising:-</p> <ul style="list-style-type: none"> <li>• Officer A - £11.30 – cheque requisition authorised by an officer not on the approved list.</li> <li>• Officer B - £100 - cheque requisition not authorised.</li> </ul> <p>The credit card statement dated 18 November 2018 was selected for audit examination. A sample of 20 purchases made between 16 October 2018 and 14 November 2018 was tested. One issue arising:-</p> <ul style="list-style-type: none"> <li>• two orders submitted by Officer C had not been authorised by the relevant line manager (black cast round drain gate on 1/11/18 totalling £23.89 and order for a parking post and accessories totalling £186.71). At the end of audit meeting the school confirmed that the claimant and the approving officer were married. This should have been declared on the pecuniary interest</li> </ul>	<p>Unauthorised expenditure may be processed through the schools accounts</p>	<p><b>All expenditure whether paid as a cheque request, petty cash or credit card transaction should be supported by authorised documentation prior to payment.</b></p> <p><b>For petty cash claims the supporting documentation should be retained intact.</b></p> <p><b>Finance staff to be reminded that the checks preformed on claim forms and request for payment forms are a control in the expenditure process.</b></p> <p><b>Priority 2</b></p>

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	<p>form and a compensating control considered</p> <p>The October 2018 petty cash claim was examined. The two issues arising were that:-</p> <ul style="list-style-type: none"> <li>• one claim, submitted by Officer D on 17/9/18 for £16.62 for postage had not been authorised by the budget holder.</li> <li>• two claims submitted by Officer E on 18/9/18 for £9.60 and on 1/10/18 for £5.20, both for parking) where the parking receipts were not available and appeared to have been detached from the claim forms.</li> </ul> <p>Audit testing across the expenditure process has identified that the authorisation control needs to be reviewed, revised and reissued to all staff. This finding is specific to examples identified in audit testing but should be considered with finding 1 above which addresses authorisation at a strategic level.</p>		

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6	<p><b>Asset Register</b>                      The current asset register was evidenced as two folders with a sheet for each asset. 226 sheets were printed on the 15/6/18 and distributed to responsible officers in each department. The signed pages are then dated and returned but there is no central control to account for all pages. The annual certification of assets by the Headteacher has not yet been completed as the FM is waiting for all pages to be returned.</p> <p>The previous audit had recommended that for ICT equipment the serial number of the item should be noted on the invoice to be able to cross reference to the asset register. Feedback was that this had not been actioned. A check on a recent invoice for 22 IT units confirmed that the serial numbers had not been added.</p>	<p>Assets lost or stolen may not be easily identified.</p> <p>A register of assets is not maintained and up to date.</p> <p>The Financial Regulations requirement for the Headteacher to certify the asset register annually may not be achieved</p>	<p><b>The school should consider maintaining a central log of stock sheets to control the return.</b></p> <p><b>Ensure that the Headteacher certifies the summary record of all assets held in the school to comply with Financial Regulations.</b></p> <p><b>Priority 3</b></p> <p><b>For ICT equipment the receiving officer/budget holder should record the serial number of the item on the invoice to be able to cross reference to the asset register. Priority 2*</b></p>

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7	<p><b>Pecuniary Interest</b>                      Declaration of interest forms for the Governors are held by the Clerk to the Governing Body. A copy of the completed forms is not held by the school.</p>	<p>Governors with financial responsibilities 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><b>The school should ensure that a copy of the pecuniary interest forms, completed by Governors is held at the school. This will ensure that any conflicts of interest, where Governors are asked to authorise payments or make procurement decisions, can be avoided.</b></p> <p><b>Priority 3</b></p>

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8	<p><b>Finance Committee Minutes</b></p> <p>The I&amp;E report for 2018 to date was reviewed. Two expenditure heads, E19 (Learning Resources –not ICT equipment) and E20 (ICT learning Resources) showed a revised budget. The Finance Manager explained that the Governors had given “blanket approval” to increase the budget for expenditure when proposed projects are moved from the “wish list” to become an adopted project.</p> <p>The Finance Manager confirms that this was discussed at the Finance Committee 16/5/18 but the minutes for this meeting do not reflect this discussion.</p> <p>The timing of the minutes should also be considered; the Finance Manager has access to the final version as part of the agenda papers sent out for the next meeting.</p>	<p>The Committee minutes do not accurately reflect Governors debate.</p> <p>Key issues discussed and approved at Committee may not be recorded to support actions taken by the Finance Officers.</p>	<p><b>The Clerk to the Governors should ensure that the Finance Manager is included on the distribution of the draft minutes of the Finance Committee. This would ensure that matters discussed and agreed and required for audit purposes are recorded.</b></p> <p><b>The finalised minutes should be issued to the SBM and FM at the earliest opportunity to ensure all actions points are addressed.</b></p> <p><b>Priority 2</b></p>

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9	<p><b>Follow up Previous Recommendations – IT Contract – Outstanding</b></p> <p>As a priority 1 recommendation the progress to implement is reported to the Audit Sub Committee. Members were informed at the last meeting on the 14<sup>th</sup> November that:-</p> <p><i>“The SBM had met with Bromley officers from the Information Services Division and Procurement to discuss the priority 1 recommendation and consider how the Authority could support the school going forward with the IT contract and procurement generally.</i></p> <p><i>At the initial meeting it was agreed that the SBM would present an options paper to the Governing Body to determine the level of support to be commissioned from the Authority for procurement and Bromley’s contracted IT provider (contractor C) with regard to the IT contract. It was agreed at this meeting that given the current contract expired in August 2019 and not withstanding termination penalties, to complete the term with the incumbent provider and schedule the re tendering exercise to start in October.</i></p>	<p>There is a risk of damages and costs awarded against the school due to contracts let in breach of UK public contract regulations and the schools own financial regulations. Value for money may not be obtained when procuring goods and services.</p>	<p><b>The school should ensure that tenders are sought or a procurement framework process is undertaken now for the schools IT support, acknowledging that compliance with EU rules cannot be disregarded.</b></p> <p><b>Priority 1*</b></p>

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**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><i>At the end of June the school confirmed their intention to commission Contractor C to scope the ICT System/Service support requirements to assist with the planned tender exercise. Contractor C has now completed the first site visit to document current provision. Contractor C will now draw up the technical specification for the school to use for the tender exercise.</i></p> <p><i>The SBM confirmed by e-mail that as at October 2018 the school had conducted an options appraisal to determine ICT management going forward. The decision is still outstanding as the school want to compare costs with an option to bring the service in house.</i></p> <p><i>Given that the decision on how to proceed is still under discussion the priority 1 will remain outstanding until the tender process or alternative is underway.”</i></p> <p>At the time of the site visit on the 3rd and 4<sup>th</sup> December the school were still waiting to receive the report from Contractor C and this was delaying their progress to implement the recommendation.</p>		

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
10	<p><b>Follow up Previous Recommendations – Contract Register – Outstanding</b></p> <p>When the SBM took up post in April 2018 there was no hand over with the previous post holder and limited documentation to support contractual arrangements.</p> <p>The recommendation raised in the previous audit report relating to the contract register has not yet been addressed as the SBM has had to prioritise remedial work. The SBM has tackled contract issues as they have arisen but the discreet piece of work to review and revise the contracts register is outstanding and will therefore be re recommended.</p> <p>The SBM will be developing contract management and monitoring procedures for all contracts held by the school. This will include performance management, compliance to agreed terms and the reporting to Governors to allow informed decisions regarding contracts that have been rolled over each year without challenge.</p>	<p>Contracts may be let without following proper procedures and/or rolled over without proper approval.</p>	<p><b>The contracts register should be developed to incorporate the issues identified in this audit review; number of years that competitive tendering has been waived or a contract rolled over, indicative costs based on previous years expenditure, updated costs where the contract has been varied.</b></p> <p><b>The school should hold a signed copy of all contracts, available for inspection and any officer responsible for payment or monitoring.</b></p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
			<p>The contract register is a “live” document that should be owned and updated regularly. The document should be used as a planning document and evidence action taken for each contract and the current status.</p> <p>Priority 2*</p>

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 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
11	<p><b>Follow up Previous Recommendations - Cash Flow Statements – Partially Implemented</b></p> <p>For cash flow statements the school requested training for the FM to be provided by Bromley’s Exchequer contractor. The elapsed time was due to this contractor resourcing the training and has therefore only been delivered recently. The first cash flow statement is due this month and once evidenced by Internal Audit this recommendation may be moved from partial to implemented.</p>	<p>The school may not be aware of their ability to meet all liabilities</p>	<p><b>Ensure that cash flow statements are produced periodically and any variances to the projected cash flow are investigated and actioned.</b></p> <p><b>Priority 2*</b></p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p><b>Authorisation</b> All officers involved in the authorisation process to be aware of what their signature represents to ensure that their authorisation is meaningful.</p> <p>The goods received part of the process should be evidenced to give the authorising officer assurance to proceed to payment. Although this has been rolled out in an e-mail supplementary training or instruction from SLT should support compliance to this procedure.</p> <p>The school must review and revise their authorisation procedure for expenditure payments. The officers allocated to each task must be the most appropriate and be aware of their role and responsibility. At all</p>	2	<p>3 officers to be clearly defined in the expenditure process:</p> <p>1) Officer 1: Budget Holder to sign order 2) "most appropriate" officer (Budget holder or suitable alternative) to sign Goods received 3) Officer 2 (Finance Manager/SBM/SLT) to authorise invoice (having checked invoice/goods received/VAT) 4) Officers 3 and 4: 2 x cheque signatures DIFFERENT from all above.</p> <p>New stamp to be designed and purchased to include fields to ensure all the above.</p> <p>Training to be offered to all authorising officers to ensure that the</p>	<p>SBM/FM</p> <p>SBM/FM</p> <p>SBM</p>	<p>February 2019</p> <p>February 2019</p> <p>February 2019</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	times three officers must be authorising each payment to achieve separation of duties and comply with Financial Regulations.		authorisation is fully understood and meaningful.  Finance staff have implemented system whereby they check each other's authorisation process prior to final payment.	JR/TC	In place and ongoing
2	<p><b>Scheme of Delegation</b> The school should ensure that the working practices are accurately reflected in the Scheme of Delegation and similarly that the limits set out in the Scheme of Delegation are adhered to. (Priority 2*)</p> <p>Two specific areas for review are the authorisation limits and the cheque signatories.</p> <p>Once the amendments have been completed the revised Scheme of Delegation will need to go back to</p>	2	<p>Scheme of Delegation to be re-drafted and taken to FGB for ratification.</p> <p>2 signatures will be required for all cheques.</p> <p>Authorisation limits to be reconsidered.</p> <p>Scheme of Delegation to have footer embedded in document to include owner, revised date and revision due date. It will also be added to the school's policy schedule.</p>	SBM	<b>March 2019</b>

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Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	Governors for minuted approval.  The Scheme of Delegation should detail the owner, revised date and next review date embedded in the document footer.				
3	<b>Expenditure Process</b> The authorising officer should date the purchase order request form.  The finance staff should ensure that before payment the agreed procedure and authorisation has been evidenced; the goods received box has been completed and authorisation is within the Scheme of Delegation limits.  The school should formally adopt the Project checklist to capture relevant	2	Field added to PO form to include date  'Cheat sheet' provided to all Finance Staff to show a) limits and b) checks needed prior to process.  Project Checklist already in place, and will continue to be used for projects to ensure a suitable audit trail on projects exceeding £5,000. For goods over £5,000, three competitive quotes will be sought and submitted with PO.	SBM/FM  SBM/FM  SBM/Site Manager	Feb 2019  Feb 2019  In place and ongoing

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3 Cont.	information and authorisations to provide an adequate audit trail to support decisions for projects >£5K.				
	Only officers nominated as authorised signatories should sign off orders or invoices.		As part of the Finance Office checklist, order and invoices must be checked for signatures of nominated authorisers.	SBM/FM	Feb 2019
	All expenditure should be supported by an authorised order or contract.				
	If three competitive quotes cannot be sourced or the lowest quote is not accepted the Headteacher and Chair of Governors should sign a waiver to that effect.		HT or CoG to sign waiver form (as designed by SBM) in the event 3 quotes not available on projects over £5,000.	SBM	Feb 2019
	Contract payments to this provider should be quarterly in arrears as specified in the contract.		Contracts to be checked, with payment frequency included on contracts register. Schedule of payments to be shared with finance Office.	SBM	By Summer 2019
	The school should ensure that any				

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3 Cont.	<p>uplifts are evidenced in writing at the start of the financial period to allow adequate provision and budget setting.</p> <p>Additional work should be authorised by the officer who commissioned the work. Before the invoice is paid the authorising officer should ensure that an adequate trail is evidenced to support the additional payment.</p> <p>The school should verify the terms of engagement for Contractor B to ensure the company delivered the service in full as commissioned.</p> <p>Financial investigations should be undertaken before the engagement of a major contract to confirm the financial viability of the contractor.</p>		<p>If projects evolve, resulting in uplift, at the point that increase cost is sought/agreed, the finance office will be informed to allow commitment to be included in accounts. This additional work will be authorised by the SBM, HT or CoG. Suitable audit paperwork will be sought and included in communication with finance office.</p> <p>Clarity has been sought, and the terms of engagement with Contractor B now accepted.</p> <p>Financial assurance sought from companies engaged in major capital projects.</p>	<p>SBM</p> <p>SBM</p> <p>SBM</p>	<p>In place and ongoing</p> <p>Complete</p> <p>Feb 2019</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3 Cont.	<p>All invoices paid must conform to accounting standards.</p> <p>Quotes should be compared to a standard specification and the evaluation of these bids recorded to support the decision.</p>		<p>Invoices to include invoice numbers, date and information pertinent to accounting standards</p> <p>Quotes to be sought for a standard specification where appropriate, with the evaluation of these quotes submitted as supporting evidence on 'Project Checklist Form'.</p>	<p>FM</p> <p>SBM/Site Manager</p>	<p>Feb 2019</p> <p>In place and ongoing</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	<p><b>HMRC</b> The FM should date and sign the printout to evidence when the online assessment was completed.</p> <p>Online assessments should be completed in all instances where a payment to an individual is planned.</p> <p>Payment to a named individual should only be processed if appropriate and there is no other option.</p>	<p>2</p> <p>2*</p>	<p>The FM will date and sign the printout to evidence when the online assessment was completed.</p> <p>Online assessments will be completed in all instances where a payment to an individual is planned.</p> <p>Payment to a named individual will only be processed if appropriate and there is no other option.</p>	<p>FM</p> <p>FM</p> <p>FM</p>	<p>From present and ongoing</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	<p><b>Authorisation of claim forms – GL/petty cash/credit card</b>                      All expenditure whether paid as a cheque request, petty cash or credit card transaction should be supported by authorised documentation prior to payment.</p> <p>For petty cash claims the supporting documentation should be retained intact.</p> <p>Finance staff to be reminded that the checks preformed on claim forms and request for payment forms are a control in the expenditure process.</p>	2	<p>As part of finance office checklist, expenditure from claim forms to be checked for full authorisation prior to payment.</p> <p>Supporting documentation will be retained intact.</p> <p>Checklist to be created, and reminder given that the checks are part of controls.</p>	SBM/FM	Feb 2019

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
6	<b>Asset Register</b> The school should consider maintaining a central log of stock sheets to control the return.	3	Log of asset register stock sheets to be kept in finance office.	SBM/FM	Aug 2019
	Ensure that the Headteacher certifies the summary record of all assets held in the school to comply with Financial Regulations.		HT to sign current asset register.	SBM/FM	Feb 2019
	For ICT equipment the receiving officer/budget holder should record the serial number of the item on the invoice to be able to cross reference to the asset register.	2*	ICT manager to be tasked with including serial numbers by requesting that suppliers include on invoices. Where this fails, he is to manually note serial number on invoices prior to authorisation for payment.	ICT Manager	From present and ongoing

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
7	<p><b>Pecuniary Interest</b>                      The school should ensure that a copy of the pecuniary interest forms, completed by Governors is held at the school. This will ensure that any conflicts of interest, where Governors are asked to authorise payments or make procurement decisions, can be avoided.</p>	3	Clerk to be asked to provide copies of governor PI forms, which will be held on Governor HR files.	SBM/Clerk to Govs	Feb 2019

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
8	<p><b>Finance Committee Minutes</b>                      The Clerk to the Governors should ensure that the Finance Manager is included on the distribution of the draft minutes of the Finance Committee. This would ensure that matters discussed and agreed and required for audit purposes are recorded.</p> <p>The finalised minutes should be issued to the SBM and FM at the earliest opportunity to ensure all actions points are addressed.</p>	3	<p>SBM and FM included in minutes of FC.</p> <p>Request that draft minutes are circulated to both SBM and FM as soon as available has been made.</p>	Clerk to Govs	From present and ongoing

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
9	<p><b>Follow up Previous Recommendations – IT Contract</b> The school should ensure that tenders are sought or a procurement framework process is undertaken now for the schools IT support, acknowledging that compliance with EU rules cannot be disregarded.</p>	1*	<p>School has received Specification Report from independent company. Next step is for school to complete an options appraisal and make decision to go to full EU Tender (if decision is made to engage an external contractor with total value above relevant thresholds), or seek other suitable alternative provision (ensuring compliance with financial regs).</p>	SBM	July 2019

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
10	<p><b>Follow up Previous Recommendations – Contract Register</b></p> <p>The contracts register should be developed to incorporate the issues identified in this audit review; number of years that competitive tendering has been waived or a contract rolled over, indicative costs based on previous years expenditure, updated costs where the contract has been varied.</p> <p>The school should hold a signed copy of all contracts, available for inspection and any officer responsible for payment or monitoring.</p> <p>The contract register is a “live” document that should be owned and updated regularly. The document</p>	2*	<p>Contracts register to be updated and developed, with consideration to all the internal audit recommendations. This will be kept as a ‘live’ document. The auditors’ ‘control matrix of suggested controls and matrices for contract management and monitoring’.</p> <p>Signed copies of all contracts held on file by SBM.</p>	SBM	Summer 2019

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
10 Cont.	should be used as a planning document and evidence action taken for each contract and the current status.				
11	<p><b>Follow up Previous Recommendations - Cash Flow Statements – Partially Implemented</b></p> <p>Ensure that cash flow statements are produced periodically and any variances to the projected cash flow are investigated and actioned.</p>	2*	Cash flow statement currently in process	FM	February 2019

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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**

**ENVIRONMENTAL AND COMMUNITY SERVICES**

**REVIEW OF STREET CLEANSING CONTRACT MANAGEMENT FOR 2018-19**

**Issued to:** Nigel Davies, Executive Director of Environment Services  
John Bosley, Assistant Director of ECS  
David Hall, Neighbourhood Manager  
Sarah Foster, Head of Performance Management & Business Support ECS  
Claire Martin, Head of Finance Corporate & ECS

**Prepared by:** Principal Auditor

**Date of Issue:** 08/02/2019

**Report No:** ECS/1/2018/AU

## REVIEW OF STREET CLEANSING CONTRACT MANAGEMENT 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Street Cleansing contract management. The audit was carried out in quarter 3 as part of the programmed work specified in the 2018-19 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. Any Priority 1 recommendations or Nil/Limited Assurance opinions must be considered for inclusion in the Department's Risk Register.

### AUDIT SCOPE

3. The scope of the audit was outlined in the Terms of Reference issued on 30/07/2018.

### 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. Whilst there is a priority one recommendation in the report this relates to historical deficiencies. The current management of the contract and the implementation of new contract principles are reflected in the overall assurance opinion.

### MANAGEMENT SUMMARY

5. The objective of the audit was to review the management controls on the performance of the Street Cleansing contract which delivers the day-to-day cleaning operations across the Council's administrative area. The budget for the Street Cleansing service for 2018-19 is £3,518,000.

## REVIEW OF STREET CLEANSING CONTRACT MANAGEMENT 2018-19

6. The Street Environment Contracts commenced in March 2012 as a five year contract, with an option of a single two year extension at the sole discretion of the Council.
7. The audit considered the management of the contract, contract meetings, performance information and payment of invoices. To verify the inspection process, the auditor accompanied two inspectors working across the Orpington area (15/10/2018) and Shortlands & Bromley town centre area (01/11/2018). Interviews were held with the contract manager, Neighbourhood Officers and Finance. Committee reports relating to the award of contract, extension of contract and contract performance reports were sourced and reviewed.
8. Controls were found to be working well in the following areas:
  - The monthly monitoring reports were sought to support the payment of the sampled monthly contract invoice. It was noted that the payment was appropriately authorised and the contract monitoring information was attached to the invoice to demonstrate satisfactory performance
  - The contract monitoring arrangements were also reviewed to ensure that the contractor's performance is measured and monitored against performance standards and milestones set out in the contract. The Minutes of the Street Cleansing Contract meetings, including supporting documentation, were reviewed for October 2018, November 2018 and December 2018. The supporting documentation included contractor reports, Confirm enquires, inspection results and level of defects/defaults. Meeting notes confirmed action to be taken for issues identified and delegated responsibility for resolution. The information to support the Key Performance Indicators for the contract was reviewed and it was found to be satisfactory for the review period.
  - From the site inspection visits it was noted that the cleaning standard for 21 sites was satisfactory. The cleaning of 1 sampled carriageway and 1 sampled foot paths was found to be below standard at the time of inspections. Defect notices were raised on site by the inspector.
  - A sample of 5 sites, selected by the auditor, from the Autumn leafing programme were also visited. The leaf clearing at the sampled sites was found to be satisfactory.

## REVIEW OF STREET CLEANSING CONTRACT MANAGEMENT 2018-19

9. However, management should be aware of the following issues arising:

### **Payment of invoices**

10. A sample of 5 invoices, selected from all payments made to the contractor between April 2017 and October 2018, consisted of 1 invoice for the monthly core contract payment and 4 variable invoices (ad hoc and programmed additional works) which it should be noted are also monthly.
11. For the 4 variable invoices, the prices charged for some elements of the agreed programme of additional work could not be substantiated. The contract manager advised that they are unable to confirm the individual amounts agreed for:
- Deep Cleaning Monday to Friday (monthly cost £10,923.33)
  - Litter pick car park area of Mitre Public House twice weekly (monthly cost £200)
  - Extra bin emptying (monthly charge £2,048.62)
  - Monthly fly tip (monthly charge £ 2,572.79)
  - Additional Cleaning (monthly charge £1,042.75)
  - Weekend Channel sweep (monthly charge £5,996.25)

This accounts for expenditure of £23,144 each month, £277,725 per annum that has been processed for payment without supporting documentation. It was noted that some of the programmed additional works have been in place, from the start of the contract. The key elements were discussed and referred to in the contract award report (ES 11123) however they did not provide a breakdown of prices. Management provided a report from the Confirm database to demonstrate that the prices charged for the programmed additional work over the length of the contract have remained consistent since the start of the contract.

### **Monitoring of rebate for the extension period**

12. At the Executive meeting on 15th July 2015 the proposal to re-tender or extend the contract beyond March 2017 for the remaining two year period was considered (Report ES15045). Members were informed that “*the contractor has re-profiled its*

## REVIEW OF STREET CLEANSING CONTRACT MANAGEMENT 2018-19

*costing model by 3% to reduce prices for routine scheduled operations should the current contract be extended. This would amount to efficiencies worth £100k from 2017 for each of the remaining two years of the contract. Options for utilising the efficiencies comprised:*

- *a financial rebate of £100k;*
- *reinvestment of the £100k efficiencies as service enhancements;*
- *a combination of service enhancements and financial rebate (e.g. service enhancements at £50k and rebate at £50k)."*

Executive resolved that:

*"(1) the street cleaning contract be extended for a single two year period from March 2017 to March 2019 with the £100k per annum saving from efficiencies, based on current specification, accepted; and*

*(2) further consideration be given to options for using the £100k efficiency savings, including retention of some of the £100k efficiencies for pressing ES departmental priorities."*

From this Executive report and resolution Internal Audit queried how the £100k rebate (per annum), offered for the extension period, had been utilised and applied. The client team conducted an extensive review of the costings of various service enhancements that were delivered above the baseline requirements of the Street Cleansing contract over the past two years of the extension and demonstrated that reduction in the unit costs were applied when compared against the contractual schedule of rates which are contractually applicable to the additional work, thus providing service enhancements to the contract. It was noted that the responsibility to ensure that the resolutions set by Members are actioned and evidenced was not formally assigned and the expected savings were not monitored to ensure their delivery.

### **Site inspections**

13. As part of contract monitoring, Neighbourhood Officers conduct random inspections for Street Cleansing, with inspections being administered using the Nautoguide system, a web-based IT system used for recording inspection findings and results. It

## REVIEW OF STREET CLEANSING CONTRACT MANAGEMENT 2018-19

was noted that the Nautoguide inspections do not include inspection of all additional and ad hoc work i.e. bus stop cleaning, the Autumn leafing programme.

### SIGNIFICANT FINDINGS (PRIORITY 1)

14. There is one priority one finding relating payment of invoices as reported in paragraphs 10 and 11 above.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

15. 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

16. 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><b><u>Payment of invoices</u></b></p> <p>A sample of 5 invoices, selected from all payments made to the contractor between April 2017 and October 2018, consisted of 1 invoice for the monthly core contract payment and 4 variable invoices (ad hoc and programmed additional works) which it should be noted are also monthly.</p> <p>For the 4 variable invoices the prices charged for some elements of the agreed programme of additional work could not be substantiated. The contract manager advised that they are unable to confirm the individual amounts agreed for:</p> <ul style="list-style-type: none"> <li>•Deep Cleaning Monday to Friday (monthly cost £10,923.33)</li> <li>•Litter pick car park area of Mitre Public House twice weekly (monthly cost £200)</li> <li>•Extra bin emptying (monthly charge £2,048.62)</li> <li>•Monthly fly tip (monthly charge £ 2,572.79)</li> <li>•Additional Cleaning (monthly charge £1,042.75)</li> <li>•Weekend Channel sweep (monthly charge £5,996.25)</li> </ul> <p>This accounts for expenditure of £23,144 each month, £277,725 per annum that has been processed for payment</p>	<p>Overpayment/dispute as a result of potential incorrect prices being invoiced</p>	<p><b>The agreement of scope and price for ad hoc and additional work should be formally agreed and supporting documents retained.</b></p> <p><b>[Priority 1]</b></p>

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**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>without supporting documentation. It was noted that some of the programmed additional works have been in place from the start of the Contract. The key elements were discussed and referred to in the contract award report (ES 11123) however they did not provide a breakdown of prices. Management provided a report from the Confirm database to demonstrate that the prices charged for the programmed additional work over the length of the contract have remained consistent since the start of the contract.</p>		
2	<p><b><u>Monitoring of rebate for the extension period</u></b></p> <p>At the Executive meeting on 15th July 2015 the proposal to re-tender or extend the contract beyond March 2017 for the remaining two year period was considered (Report ES15045). Members were informed that “the contractor has re-profiled its costing model by 3% to reduce prices for routine scheduled operations should the current contract be extended. This would amount to efficiencies worth £100k from 2017 for each of the remaining two years of the contract. Options for utilising the efficiencies comprised:</p> <p>a financial rebate of £100k;</p>	Overpayment as a result of not utilising rebate available	<p><b>In future management should formally assign responsibility to ensure that the resolutions set by members are actioned and evidenced and savings are monitored to ensure delivery.</b></p> <p><b>[Priority 2]</b></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>reinvestment of the £100k efficiencies as service enhancements;                      a combination of service enhancements and financial rebate (e.g. service enhancements at £50k and rebate at £50k).”</p> <p>Executive resolved that:</p> <p>“(1) the street cleaning contract be extended for a single two year period from March 2017 to March 2019 with the £100k per annum saving from efficiencies, based on current specification, accepted; and</p> <p>(2) further consideration be given to options for using the £100k efficiency savings, including retention of some of the £100k efficiencies for pressing ES departmental priorities.”</p> <p>From this Executive report and resolution Internal Audit queried how the £100k rebate (per annum), offered for the extension period, had been utilised and applied. On enquiry the client team conducted an extensive review of the costings of various service enhancements that were delivered above the baseline requirements of the Street Cleansing contract over the past two years of the extension and demonstrated that reduction in the</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>unit costs were applied as compared against the contractual SOR rates which are contractually applicable to the additional work, thus providing service enhancements to the contract. It was noted that the responsibility to ensure that the resolutions set by Members are actioned and evidenced was not formally assigned and the expected savings were not monitored to ensure their delivery.</p>		
3	<p><b><u>Site inspections</u></b></p> <p>As part of contract monitoring Neighbourhood Officers conduct random inspections for Street Cleansing, with inspections being administered using the Nautoguide system, a web-based IT system used for recording inspection findings and results. It was noted that the Nautoguide inspections do not include inspection of all additional and ad hoc work i.e. bus stop cleaning, the Autumn leafing programme.</p>	<p>Loss due to non-delivery of service</p>	<p><b>Contract monitoring inspections must include inspections of all additional and ad hoc work to confirm service delivery.</b></p> <p><b>[Priority 2]</b></p>

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

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

**Priority 3**  
**Identification of suggested areas for improvement**

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	The agreement of scope and price for ad hoc and additional work should be formally agreed and supporting documents retained.	1	<p>Management agree with the recommendation and since the application of the revised governance structures put in place in Neighbourhood Management, pricing of contract values are reviewed annually and document control is via the Contract Filing System. Any changes or alterations that are a material change are processed via a Change Control Notice which are placed on the Contract Database.</p> <p>Pricing agreed in terms of resource application is now itemised and further scrutiny and transparency is applied. This is demonstrated through the retention on the Contract Filing System of itemised Schedule of Rates items which</p>	Neighbourhood Manager with responsibility for Street Environment Contracts	February 2019

**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
			comprise variable works as well as service initiatives being drafted to include a full breakdown of costs rather than overall costs applied.		
2	In future management should formally assign responsibility to ensure that the resolutions set by members are actioned and evidenced and savings are monitored to ensure delivery.	2	Management agree with the recommendation and the demonstrable change is through the implementation and use of the Contract Filing System within Neighbourhood Management. Further application of decision making will form part of the annual Contract Monitoring Framework to ensure delivery of agreements as well as the tracking of the deliverables post implementation.	Assistant Director of Environment	February 2019
3	Contract monitoring inspections must include inspections of all additional and ad hoc work to	2	In terms of cleansing initiatives, the client team has undertaken improvements on proactive	Neighbourhood Manager with responsibility for	February 2019

**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
	confirm service delivery.		<p>monitoring and the application of monitoring solutions through improvements in technology are also being considered. The primary monitoring tool (Nautoguide) is not designed to accommodate ad hoc or interim service applications and the Management team has identified this in the past as a weakness.</p> <p>Further development of inspection systems will be considered by Management to improve on the foundations that have been established.</p>	Street Environment Contracts	

**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.

<b>Assurance Level</b>	<b>Definition</b>
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 AUDIT REPORT**  
**CHIEF EXECUTIVE'S DEPARTMENT**

**REVIEW OF DEBTORS INCOME AUDIT FOR 2018-19**

**Issued to:** Peter Turner, Director of Finance  
Claudine Douglas Brown, Assistant Director of Exchequer Services

**Cc:** David Hogan, Head of Internal Audit

**Prepared by:** Internal Auditor (Mazars LLP on behalf of LBB)

**Date of Issue:** 23<sup>rd</sup> January 2019

**Report No.:** CEX/09/2018/AU

## REVIEW OF DEBTORS INCOME AUDIT FOR 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of the Debtors Income for 2018-19. The audit was carried out in quarter 2 of 2018-19 as part of the programmed work specified in the 2018-19 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 2<sup>nd</sup> July 2018.
4. A Client Team for the Authority liaise with the Exchequer contractor who are contracted to undertake debtor procedures on behalf of the Authority.
5. A new Corporate Debt reporting system was introduced in the first quarter of 2018. This replaces a number of procedures previously carried out on the financial management system.

### AUDIT SCOPE

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

### 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.

### MANAGEMENT SUMMARY

8. Controls noted to be in place and working well, based on the sample testing conducted, included:
- The Exchequer contractor has policies and procedures in place, which were accessible to members of their team.
  - A sample of 20 invoices was tested from a total population of 23,134 invoices. It was confirmed that all of the sampled invoices had been raised within five days of the request.
  - A sample of 10 credit notes was selected from a credit memo report, covering the period March 2018 until June 2018. There were a total of 395 credit notes raised in this period. The reasoning for each of the credit notes sampled was confirmed to be attached to the Corporate Debt reporting system and all the credit notes sampled had been raised in a timely manner.
  - A sample of 10 debts from a total of 23,134 debts was tested. For each of these, a segregation of duty in raising debts and debt recovery action was in place, with appropriate debt recovery actions taken following the debt recovery policy and procedure. All the sampled debts were actioned in a timely manner.
  - Examination of a sample of five write offs, one each from separate write-off packs, confirmed that write-offs were submitted to the Authority with the amount and the reasoning behind the write-off available in each case.
  - Debtors' control account reconciliations and refund reconciliations were produced monthly and reviewed by a second officer.
  - Unapplied and unidentified receipts are reviewed daily, investigated and cleared.

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

- One of the sample of 20 outstanding invoices tested was identified where incorrect information (debtor) had been included in the invoice, (reference number 701068700).
- The new Corporate Debt reporting system has inaccuracies when producing reports. Although the Financial Systems Team has been made aware of the issue, this has not yet been resolved.
- A sample of five write-off batches was sampled, with one invoice from each batch being verified for timely authorisation. There was one instance, invoice number 70078190 where the write-off had not yet been authorised at the time of the audit (a delay of five months).
- Each month, the Exchequer contractor produces a monitoring report for the Authority. The June 2018 report incorrectly reported the unidentified receipt balance as £1,572.68 instead of the correct figure of £1,245.76.
- A sample of 10 payment plans was tested. For invoice reference 12569086, a break in payment plan had been identified and no action had been taken by the Authority during the period 25<sup>th</sup> June 2018 to 2<sup>nd</sup> November 2018.

## REVIEW OF DEBTORS INCOME AUDIT FOR 2018-19

### 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 DEBTORS INCOME AUDIT FOR 2018-19

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1.	<p><b><u>Invoices Raised</u></b></p> <p>Invoice requests are submitted to the Exchequer contractor team, who then subsequently raise the invoices.</p> <p>A report of outstanding invoices for the period April 2018 until the date of the audit (November 2018) was obtained. There were 23,134 invoices in the report.</p> <p>A sample of 20 invoices was tested. One of the invoices sampled was identified to have been raised incorrectly. This was for invoice number 701068700 for £288. The invoice included the incorrect recipient. The invoice was subsequently returned and a new invoice was raised and sent.</p>	<p>Where invoices are raised with incorrect details, there is a risk that there is a delay in recovering the funds due to the Authority.</p>	<p>All invoices should be raised in accordance to the invoice request to avoid errors.</p> <p><b>(Priority 2)</b></p>
2.	<p><b><u>Reports from the Corporate Debt reporting System</u></b></p> <p>A new Corporate Debt reporting system was introduced to the Exchequer contractor team, which replaces some of the processes previously undertaken on the financial management system.</p> <p>It was noted from discussions with the Operations Manager for the Exchequer contractor and the Assistant Director of Exchequer Services (AD) that the Corporate Debt reporting system produces inaccurate workflow reports. It was explained that each quarter the AD is required to take information to committee in relation to outstanding debts being actioned, however the reports produced</p>	<p>Where the Corporate Debt reporting system produces inaccurate reports, there is a risk that the Local Authority undertakes unnecessary work trying to correct the issue and produce a meaningful report.</p>	<p>The Corporate Debt reporting system reporting function should be remedied as soon as possible.</p> <p><b>(Priority 2)</b></p>

REVIEW OF DEBTORS INCOME AUDIT FOR 2018-19

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
	<p>by the Corporate Debt reporting system are incorrect and the Exchequer contractor team are required to manually go through the reports produced and officers' workflows to produce the correct figures. This can take between 7 to 14 days to complete. The Financial Systems Team has been made aware of the issue and is in discussion with the Corporate Debt reporting system manufacturer to try and correct the problem.</p> <p>The Financial Systems Team have not confirmed what action is to be undertaken next.</p>		
3.	<p><b><u>Authorising Write-Offs</u></b></p> <p>The Exchequer contractor produces write-off packs for invoices under and over the value of £5,000. These are provided to the Authority to be authorised, before being written-off.</p> <p>A sample of five write-off packs was selected, with one invoice from each pack being verified for timely authorisation. Invoice number 70078190, with a value of £139, was submitted by the Exchequer contractor to the Authority on 30 May 2017, however at the time of the audit the write-off had still not been authorised.</p>	<p>Where write-offs are not being authorised in a timely manner, there is a risk that debt is overstated.</p>	<p>Write-offs should be authorised in a timely manner.</p> <p><b>(Priority 2)</b></p>
4.	<p><b><u>Monthly Summary Reporting</u></b></p> <p>The Exchequer contractor produces monthly summary reports to the Authority reporting on performance and figures.</p>	<p>The reported information provided by the Exchequer</p>	<p>Reporting should be reviewed by a second officer to</p>

**REVIEW OF DEBTORS INCOME AUDIT FOR 2018-19**

**DETAILED FINDINGS**

**APPENDIX A**

No.	Findings	Risk	Recommendation
	<p>Five summary reports provided by the Exchequer contractor to the Authority were examined. It was identified that the June 2018 summary report identified that the unidentified account balance was £1,572.68. However, the actual figure should have been £1,245.76 for June 2018 as per the reconciliation of the unidentified account balance for June 2018.</p>	<p>contractor to the Authority should represent accurate information to allow informed decisions to be made.</p>	<p>ascertain and verify accuracy. <b>(Priority 2)</b></p>
<p>5.</p>	<p><b><u>Succession Planning</u></b></p> <p>A report on all payments arrangements can be produced from the Corporate Debt reporting system, which replaces the old Code 8 from the financial management system. A report was run on the Corporate Debt reporting system covering June 2018. A sample of 10 payment arrangements was tested.</p> <p>It was identified that for Corporate Debt reporting system invoice number 12569086 (for a debt of £1,197.59 which was raised 9<sup>th</sup> May 2018), a payment arrangement had been agreed. From the period 25<sup>th</sup> June 2018, when a 'A break in payment letter' was sent, until the 2<sup>nd</sup> November 2018 at the time of the audit no further action had been taken to chase the debt and ensure that the payment arrangement was being adhered to.</p> <p>Discussion with the Exchequer Contract Team Leader identified that the officer who had been assigned this case had left and their associated work load had not been appropriately delegated to another member of the team.</p>	<p>Where breaks in payment arrangements are not chased, there is a greater risk that the debt will not be paid and will become irrecoverable.</p>	<p>The cases assigned to the officer who left the Council should be reviewed to ensure that these have all been assigned to another member of staff. <b>(Priority 2).</b></p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1.	All invoices should be raised in accordance to the invoice request to avoid errors.	2	Agreed. The Income Team have been reminded of the importance of raising invoices accurately and double-checking the details to avoid errors.	Exchequer Contractor Operations Manager	On-going
2.	The Corporate Debt reporting system reporting function should be remedied as soon as possible.	2	<p>The FIS team generate the report monthly and send to the Exchequer contractor. There is no risk as the report produced is accurate.</p> <p>Currently the system provider is trying to resolve the issue with the report to allow the Exchequer contractor to run the report independently from within the system.</p> <p>The timescale of 31/03/19 is dependent on the system provider resolving the issue.</p>	Head of Financial Systems	31/03/19

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3.	Write-offs should be authorised in a timely manner.	2	<p>Agreed. The Contract Monitoring Officer is responsible for monitoring outstanding write offs and following them up either with the Exchequer contractor or with LBB officers who are responsible for authorisation.</p> <p>A further review will be completed and where required a duplicate write off pack will be prepared so that authorisation can be obtained.</p>	Contract Monitoring Officer	28/02/19
4.	Reporting should be reviewed by a second officer to ascertain and verify accuracy.	2	The Exchequer contractor will ensure that information reported to the Council is thoroughly checked to ensure its accuracy.	Exchequer Contractor Senior Operations Manager	On-going
5.	The cases assigned to the officer who left the Council should be reviewed to ensure that these have all been assigned to another member of staff.	2	The Exchequer contractor has confirmed that the broken payment arrangement on invoice 12569086 has been followed up and all of the invoices that were assigned to the leaver have been reassigned to other officers.	Exchequer Contractor Operations Manager	Completed

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**

**INTERNAL AUDIT OF THE HOUSING REGISTER FOR 2017-18**

**Issued to:** Sara Bowery, Director of Housing  
Lynnette Chamielec, Head of Allocations & Accommodation  
Linda Longbourne, Housing Register Team Manager  
Daniel Halpin, Housing Allocation Manager  
James Mullender, Head of Finance ECHS  
Naheed Chaudhry, Assistant Director, Strategic and Business Support

**Cc:** Ade Adetosoye, Executive Director of ECHS (final only)

**Prepared by:** Senior Internal Auditor  
**Date of Issue:** 2<sup>nd</sup> January 2019

**Report No.:** ECHS/11/2017/AU

## REVIEW OF THE HOUSING REGISTER FOR 2017-18

### INTRODUCTION

1. This report sets out the results of our systems based audit of the Housing Register for 2017-18. The audit was carried out in quarter 1 & 2 of 2018-19 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 4<sup>th</sup> June 2018.
4. The Authority does not have its own housing stock and has outsourced this service to Housing Associations via nomination agreements.

### 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:
  - An up to date housing allocation scheme was available on Bromley Homeseekers internet page detailing how the housing associations (HA) housing stock is distributed.
  - A visiting officer (VO) undertakes sample visits of applicants who wish to join the housing register and those currently on the housing register. Reports are compiled from these visits detailing current applicant details, identification and other official documentation seen whilst onsite.

## REVIEW OF THE HOUSING REGISTER FOR 2017-18

- A log is maintained of all visits undertaken by the VO.
- Properties for bidding are available to view by applicants on the Bromley Homeseekers internet page.
- Evidence that HAs contact the Authority where queries arise with nominations.

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

- Nomination agreements were not in place for all Housing Associations (HA) that the Authority works with. For the sample of five Housing Associations (HA) no nomination agreements were in place.
- The Bromley Homeseekers application forms and the internet page was not Data Protection Act 2018 (DPA 2018) or General Data Protection Regulation (GDPR) compliant.
- There was no evidence of data sharing agreements in place between the Authority and the HA's.
- HAs did not consistently inform the Authority when nominations for properties were accepted.
- A visit form was not being signed by the VO on completion of the form.
- Verification forms do not clearly demonstrate when approval of the form is required.
- There is no procedure note for the completion of visits and what information is to be obtained.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

### ACKNOWLEDGEMENT

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

No.	Findings	Risk	Recommendation
1.	<p><b><u>Nomination Agreements</u></b></p> <p>A nomination agreement should be in place between each Housing Association (HA) that provides housing stock to the Authority. The agreement sets out the roles, responsibilities, expectations and agreement terms of the business arrangement. It should also detail data sharing arrangements to help ensure compliance with the DPA 2018 (and subsequently the GDPR).</p> <p>A list of 19 HA's who currently provide housing stock to the Authority was provided by the Head of Allocations and Accommodation. A sample of five HA's was selected, signed nomination agreements between the HAs and the Authority were not available for the sample.</p> <p>The nomination agreement obtained for the main provider of housing stock for the Authority, was for two years from January 2016. The agreement expired in January 2018. Examination of the agreement noted that this did not explicitly detail compliance with the DPA 2018, i.e. how data will be obtained, length of storage and how information will be processed. There is no current nominations agreement in place for this provider.</p> <p>Nomination Agreements are not legally binding contracts but do set out expectations between the Authority and the HAs.</p>	<p>Where nomination agreements are not in place between the HAs and the Authority, there is a risk that HAs cannot be held to account where they do not meet intended expectations.</p> <p>Furthermore, The Authority cannot be assured that the HAs are DPA 2018 compliant and there is a risk that The Authority may receive fines from the ICO in addition to reputational damage.</p>	<p>Signed nominations agreements should be in place for all HAs the Council deals with.</p> <p><b>(Priority 2)</b></p>

No.	Findings	Risk	Recommendation
2.	<p><b><u>DPA 2018 – GDPR Compliance Applications</u></b></p> <p>Guidance regarding the DPA 2018 on the ICO website details that, <i>‘Individuals have the right to be informed about the collection and use of their personal data. This is a key transparency requirement under the GDPR. You must provide individuals with information including: your purposes for processing their personal data, your retention periods for that personal data, and who it will be shared with. We call this ‘privacy information’.</i></p> <p>Applicants for the housing register apply via the Bromley Homeseekers webpages. At the end of the application, there is a brief note that third parties may process the information provided; however, no further information was included (such as, for how long information will be retained for and how information will be processed).</p> <p>It was noted that a privacy statement was included on the Bromley Homeseekers internet page, but this did not specify how long information would be retained.</p>	<p>Where appropriate privacy notices are not in place, there is a risk that the DPA 2018 is not being complied with and of consequent reputational damage and fines being imposed by the ICO.</p>	<p>The Housing department should ensure that the application forms for the Housing Register clearly state how information will be processed, stored and shared.</p> <p>The Bromley Homeseekers internet page should be revised to be DPA 2018 (and therefore GDPR) compliant.</p> <p><b>(Priority 2)</b></p>

No.	Findings	Risk	Recommendation
3.	<p><b><u>Data Sharing Agreement</u></b></p> <p>A data sharing agreement should be in place between the Authority and each HA documenting how information will be, for example, used, shared and stored.</p> <p>The Authority has nomination agreements in place with some of the HAs that provide the Council with housing stock. Examination of a nomination agreement provided by the Head of Allocations and Accommodation (Head of A&amp;A) found that these did not include any of the details expected in a data sharing agreement, i.e. detailing how information will be managed.</p>	<p>Where there is no data sharing agreement in place between The Authority and its third parties, there is a risk that information will not be shared in accordance with the DPA 2018 and The Authority may incur a fine from the ICO.</p>	<p>Data sharing agreements, unless included in the nomination agreements, should be in place between the Authority and all HA's that provide housing stock.</p> <p><b>(Priority 2)</b></p>

No.	Findings	Risk	Recommendation
4.	<p><b><u>Removal of Placements from the Housing Register</u></b></p> <p>The nomination agreements should clearly set out expectations of both counterparts to ensure that both parties are aware of their responsibilities.</p> <p>The nominations agreements do not currently state that once a nomination has been accepted for a property that the HA is required to notify the Authority so that the applicant is removed from the housing register.</p> <p>The Head of A&amp;A advised that on occasion, the HA will inform the Authority that the property has been filled, however this is not consistent. There is now an officer in post who chases the HA to verify if anyone from the housing register has been placed in accommodation.</p>	<p>Where the Authority is unaware that nominations have been successful in their bid for a property, there is a risk that applicants are not suitably removed from the housing register which can result in the housing register figures being inflated and unnecessary strains on resources.</p>	<p>Nomination agreements put in place should be revised to include, that where nominations are successful the HA notify the Authority in a timely manner.</p> <p><b>(Priority 2)</b></p>

REVIEW OF THE HOUSING REGISTER FOR 2017-18

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
5.	<p><b><u>Spot Check Forms</u></b></p> <p>Spot checks are undertaken on a monthly ad hoc basis by the Visiting Officer (VO). The VO completes a form with the information held by the Council prior to the visit. The VO then undertakes a visit and aims to verify whether conditions have changed or remained constant.</p> <p>An example of a spot check was provided by the VO. The form provided noted the bidding history, the occupants at the property and whether a credit reference agency check has been undertaken. The form was not signed by the VO on completion to evidence which officer had undertaken the visit.</p>	<p>Where spot check forms are not signed by the VO on completion, there is a risk that The Authority cannot confirm the officer who has undertaken the spot check.</p>	<p>Spot check forms should all be signed on completion to evidence an adequate audit trail.</p> <p><b>(Priority 3)</b></p>

REVIEW OF THE HOUSING REGISTER FOR 2017-18

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
6.	<p><b><u>Housing Register Verification Checks</u></b></p> <p>On an ad hoc basis, the VO undertakes checks of those persons on the housing register currently bidding for properties. It is understood that the majority of checks will be for those persons bidding for an additional two bedrooms.</p> <p>A sample of 11 verification checks (undertaken between April 2017 and March 2018) was tested.</p> <p>For one property it was not clear who had authorised the verification check form. The Head of A&amp;A explained that this verification check form had been completed by an Interim Manager, who was not fully aware of the procedure. It was advised that guidance notes be distributed to ensure that authorisations are sought and placed onto the file in a timely manner.</p> <p>The Head of A&amp;A further explained that where there are found to be no changes in circumstances the verification check forms do not require authorisation, this is not clear from the forms. It was advised by the Head of A&amp;A that the team manager will be reviewing the verification forms.</p>	<p>Where it is unclear if the verification check forms have been approved, there is a risk that the housing register is not up dated with current family situations.</p>	<p>All verification check forms should be completed in full and approved by the Housing Register Team Manager.</p> <p>The verification check forms should be reviewed asap to ensure that they clearly set out how they should be completed, such that it is clear when approval is required.</p> <p><b>(Priority 2)</b></p>

REVIEW OF THE HOUSING REGISTER FOR 2017-18

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
7.	<p><b><u>Policies and Procedures for Visiting and Spot Checks</u></b></p> <p>Policies and procedures help to ensure that staff act consistently to ensure that all tenants and prospective tenants are treated equally and fairly.</p> <p>It was advised by the VO that there are currently no procedures in place for how the visiting checks are undertaken or what information is gathered to verify conditions. The VO explained that each case is different and the information required will vary.</p>	<p>Where there are no procedures in place for how what information and checks should be undertaken on visits there is a risk of a lack of consistency and applicants / tenants not being treated fairly.</p>	<p>A procedure note should be put in place to detail what information should be obtained when visits are undertaken.</p> <p><b>(Priority 2)</b></p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1.	Signed nominations agreements should be in place for all HAs the Council deals with.	2	As discussed during the Audit, whilst the Council ensures that it receives its maximum nomination rights in respect of new build accommodation via formal s106 and planning permissions, there is no formal obligation on the Housing Associations to give the Council nomination rights to its general stock and any nomination agreements are not legally enforceable. The Council works with in excess of 30 different Housing Associations and under the current arrangements the Council is receiving nomination rights to upwards of 75% of vacancies and therefore care must be taken to ensure that introducing a change does not negatively impact upon this. However, following the reforming of the Bromley Federation of Housing Associations in Q3 2018 nomination agreements will be reviewed formally.	Head of Allocations and Accommodation	Ongoing for completion by end of 2019/20

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2.	<p>The Authority should ensure that the application forms for the Housing Register clearly state how information will be processed, stored and shared.</p> <p>The Bromley Homeseekers internet page should be revised to be DPA 2018 (and therefore GDPR) compliant.</p>	2	<p>This is currently being re-designed as part of the introduction of a new IT system. Clients will access a new online form and web site that will meet GDPR requirements setting out how information will be processed. Stored and shared.</p>	<p>Head of Allocations and Accommodation</p>	<p>Due to be implemented Q2 2019/20</p>
3.	<p>Data sharing agreements, unless included in the nomination agreements, should be in place between the Authority and all HA's that provide housing stock.</p>	2	<p>Agreed. Data sharing agreements are being formally rolled out to all housing associations via the Bromley Federation of Housing Associations</p>	<p>Head of Compliance and Strategy</p>	<p>By end Q2 2019/20</p>
4.	<p>Nomination agreements put in place should be revised to include, that where nominations are successful the HA notify the Authority in a timely manner.</p>	2	<p>Agreed. Although we would re-iterate that the service has implemented a resource to ensure that this information is collected and the systems updated in a timely fashion.</p>	<p>Head of Allocations and Accommodation</p>	<p>Ongoing for 2019/20</p>

REVIEW OF THE HOUSING REGISTER FOR 2017-18

APPENDIX B

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5.	Spot check forms should all be signed on completion to evidence an adequate audit trail.	3	Agreed. Samples to be reviewed at 1:1's as part of quality assurance reviews.	Housing Register Team Manager.	To be implemented January 2019.
6.	All verification check forms should be completed in full and approved by the Housing Register Team Manager.  The verification check forms should be reviewed asap to ensure that they clearly set out how they should be completed, such that it is clear when approval is required.	2	Guidance to be issued to confirm in what instances Manager authorisation is required.	Group Manager Housing Registration and Allocations.	To be implemented January 2019.
7.	A procedure note should be put in place to detail what information should be obtained when visits are undertaken.	2	Agreed. To be jointly reviewed across the Housing Register and Housing Management Teams to ensure consistency of approach.	Housing Management and Housing Register Team Managers.	To be completed by 31/3/19

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**  
**ENVIRONMENT, COMMUNITY SERVICES DEPARTMENT**

**REVIEW OF PARKING INCOME AUDIT FOR 2018-19**

**Issued to:** Angus Culverwell, Assistant Director, Traffic & Parking,  
Chloe Wenbourne, Head of Shared Parking Services,  
Colin Brand, Director of Regeneration,  
Claire Martin, Head of Finance ECS and Corporate,

**Cc** Nigel Davies, Executive Director, ECS

**Prepared by:** Principal Auditor

**Date of Issue:** January 16<sup>th</sup> 2019

**Report No:** ECS/08/2018/AU

### INTRODUCTION

1. This report sets out the results of our systems based audit of parking income. The audit was carried out in quarter 3 as part of the programmed work specified in the 2018/19 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. A new contract with Contractor A commenced on 3/4/17 and the lifetime of the contract is 10 years and will expire on 2/4/27. The total value of the 10 year contract is £19,222.178. The Executive approved the award of the contract to Contractor A on 30<sup>th</sup> November 2017. The contract is managed through the shared parking service and a number of key performance indicators are included within the specification.
4. From the start of the contract there had been problems such as delays in banking, problems with reconciliations and miscodings. The Director of Regeneration and the Head of Finance were aware of these issues and that the Parking Service was trying to address these.
5. The Head of Finance for ECS and Corporate Services approached the Head of Audit about her concerns with the cash reconciliations being done by the parking service and a potential loss of income. A change of contractor and new working processes impacted on the service for some time.
6. Parking income levels have fallen mainly due to reduced usage and the initial problems with the commencement of the new parking contract with Contractor A. Finance staff have worked with Parking Services more closely to ensure that any discrepancies have been investigated and resolved. More regular meetings have been held to ensure that the reconciliations are completed correctly.
7. Since the Head of Finance raised concerns, a number of processes and procedures have been enhanced and the reconciliation process prior to the commencement of the audit had improved as a result. Audit testing showed that there

## REVIEW OF PARKING INCOME AUDIT 2018-19

still remains circa £12K from the previous year that is being examined further by officers and Internal Audit were made aware of this. Through sample reconciliation testing undertaken, there were no significant findings identified as part of the audit.

8. There is an entry on the Environment & Community Services risk register for income variations due to reduced parking income. This appears as a medium gross and net risk and was last reviewed by the department in October 2018.

### AUDIT SCOPE

9. The scope of the audit was outlined in the Terms of Reference which was issued on 18/7/18 for commencement in September 2018. The audit covered 2017/18 and 2018/19 to date. This review does not include PCN's as this was included within a separate audit which was finalised on 18/9/18.
10. Finance have confirmed that the shortfall of parking income for 2017/18 was £197k and the budget monitoring for quarter 2 suggested a reduction of £129k for 2018/19 compared to budget.

### AUDIT OPINION

11. 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

12. Our testing identified the following issues which we would like to draw to management's attention:-
  - Procedures were found not to be in place at the commencement of the contract (3/4/17) and were not put in place until 2018. Procedures were dated 31<sup>st</sup> August 2018.

## REVIEW OF PARKING INCOME AUDIT 2018-19

- Contract Monitoring Minutes were found not to be in a standardised format. Minutes did not clearly document decisions made; minutes were incorrectly dated; action points were not tracked for completion and staff names were included rather than post titles.
- Contract variations could not be located in relation to change control notices to the value of circa £252,000 and £160,630 respectively. Other issues arose in respect of some of the Change Control Notices.
- A number of issues have been highlighted in relation to the monitoring of the key performance indicators that are part of the current Contractor A contract. Key Performance Indicators used to be reported within a KPI table but the format has since changed to a short form. Documentation to support or evidence actual KPI results were found not to be standardised. There was a lack of understanding from members of staff as to who is actually responsible for collecting individual KPI's. Issues arose with individual KPI's. There is no supporting documentation to confirm whether the KPI had been met or not met.
- It was found that the Parking Services Team and Senior Management had not completed the mandatory Financial Regulations Training.
- During testing it was found that supporting documentation was not readily available such as the key decisions regarding not collecting some of the KPI's as well as the CCN's. There was also no breakdown of the performance related reduction attached to the monthly invoices.

### SIGNIFICANT FINDINGS (PRIORITY 1)

13. There are two significant findings made that relate to contract variations that should have been undertaken and key performance indicators.

#### Contract Variation

14. On reviewing the Change Control Notices applicable for the Contractor A contract it was found that in relation to CCN 9, that related to Acquiring Charges, the financial impact of the CCN was an increase of £1,800-£2,100 per month to the contract. This relates to the charges that had been incurred by the contractor since the commencement of the contract for using the merchant account for the Contractor B cashless payments. This would equate to £25,200 per year and

## REVIEW OF PARKING INCOME AUDIT 2018-19

£252,000 for the lifetime of the contract. However, discussions with the Acting Head of Parking confirmed this could be higher, as this increase was based on usage.

15. Due to the value of the CCN, enquiries were made whether a contract variation sign off form was ever completed with parking services obtaining the relevant approvals via Acting Head of Parking and the Director of Regeneration.
16. It is noted that within Schedule 5 of the contract which relates to Change Control Procedures; that 'A Change Control Note signed by both Parties shall constitute a variation to this Contract in accordance with the terms of the Contract'.
17. Internal Audit liaised with the Procurement team that confirmed that due to the value the CCN would require the sign off form and go via the Commissioning Board as well as requiring Portfolio Approval.
18. This also applies to CCN 1 that relates to £16,063.00 with the effect over the lifetime of the contract being £160,630. Internal Audit have not seen sight of the relevant sign off sheet and Portfolio Approval in both cases.

### **Key Performance Indicators**

19. When reviewing the key performance indicators contained within the contract; a number of issues arose:-
  - The process of collecting KPI's and the relevant documentation used was found not to be standardised. The process by which KPI's are collected is not clearly defined and data held in relation to each of the indicators is not readily accessible.
  - The KPI table that was previously completed stopped being produced. The new Acting Head of Parking advised that this had now been reinstated. The table will need to be amended and reviewed to ensure all relevant information is available at any given time such as responsible officer, source of data etc.
  - The KPI table should be supported by relevant documentation detailing the frequency of collection, responsible post holder, KPI target, KPI actual and the applicable default for the relevant period.
  - KPI's that are not collected frequently should have the relevant supporting documentation to confirm this as such. As and when training is completed as in KPI GP1.

## REVIEW OF PARKING INCOME AUDIT 2018-19

- Staff responsible for collecting the KPI's should be easily identifiable.
- There is currently a lack of understanding from the Parking Services team in respect of their knowledge of responsibilities in collecting the KPI data and the impact of the KPI data.

- CB1-3 – Banking of Cash

The Acting Head of Parking who started in post in October 2018, confirmed that these KPI's need to be investigated further. It was confirmed to the Auditor that there is a problem with the Authority's bank not allowing the contractor to bank money directly into the Authority's bank account, therefore the contractor has to bank monies into their own accounts and once that clears the money is transferred to the Authority. A further update is due to be provided from the Acting Head of Parking as there has been a further change in process at the end of the audit.

- MP1-4 Cashless Parking Solution (Mobile Phone)

It was confirmed to the Auditor that there had been an email exchange regarding this KPI; however it is not saved in the folder and therefore not accessible.

- GP1-4 – General Provision

The Auditor was advised that in November 2017 – there is an email exchange about this KPI, however it was not saved in the relevant folder. Internal Audit were advised that no defaults were triggered for other months selected for review. An update has been requested by Internal Audit

- ENF 7- Enforcement

The Auditor was informed by the Acting Head of Parking that this KPI was put on hold and has not been collected for 18 months. There is no documentation formally supporting placing this indicator on hold that could be provided to the Auditor. The Acting Head of Parking advised 'there is a record of it on each months email to the contractor to advise that we have not monitored this KPI this month and it will need to be considered for the future. There are notes most months agreeing that the council and Contractor A need to agree away forward'.

20. Internal Audit would suggest that it would be timely for a review of the current KPI's be undertaken to determine whether these should all continue to be included as the performance measures of the contract.

**DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

21. 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**

22. 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><b>Procedures</b> It was confirmed by the Parking Data Analyst by email that the that procedures in respect of parking services were not in place until August 2018 ( as dated on the various documents) and the contract with Contractor A commenced on 3/4/17.</p> <p>The new procedures were made available to the Auditor and it was noted :-</p> <ul style="list-style-type: none"> <li>• Staff names had been included within the procedures instead of post titles. As a result, the names of staff that have since left the Authority will need to be removed and the procedures updated.</li> <li>• There is no planned review date for the individual procedures.</li> <li>• Procedures should be regularly updated.</li> </ul>	<p>Staff may be working to different working practices.</p>	<p><b>Procedures and policy documentation should be readily available in place for the current contract.</b></p> <p><b>Procedures should be kept up to date to reflect current working practices and be regularly reviewed. Job titles should appear instead of named post holders.</b></p> <p><b>[Priority 2]</b></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><b>Contract Monitoring Minutes</b> The contract monitoring minutes were provided to the Auditor as requested.</p> <ul style="list-style-type: none"> <li>• It was found that the contract monitoring minutes in some cases were undated.</li> <li>• The file names of some documents referred to different months. July 2018 referred to August 2018 and September 2018 referred to October 2018.</li> <li>• Actions were not always specified in relation to individual agenda items.</li> <li>• Actions were found not to be specifically allocated to individual officers and therefore not tasked for completion.</li> <li>• Actions from previous meetings are not specifically followed up at the start of the next meeting to confirm that actions have been completed or remain as outstanding.</li> <li>• Decisions made in relation to Key Performance Indicators (KPI's) were not always documented.</li> </ul>	<p>Documents held are unclear. Staff may be unaware of their responsibilities. Actions remain outstanding and are not implemented. Completion of actions are not recorded. Actions ongoing are also not documented as such. Changes to KPI's are not documented which may lead to performance data being distorted.</p>	<p><b>Contract monitoring meeting minutes should be dated, documented thoroughly and provide a clear summary of which discussions are held and the outcome.</b> <b>Actions arising from these meetings should be allocated to individuals specifying an agreed date for completion and followed up at the appropriate scheduled meeting.</b> <b>Decisions or discussions regarding the KPI's should be fully documented.</b></p> <p>[Priority 2]</p>

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

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

**Priority 3**  
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3.	<p><b><u>Contract Variation</u></b></p> <p>On reviewing the Change Control Notices applicable for the Contractor A contract it was found that in relation to CCN 9, that related to the Acquiring Charges, the financial impact of the CCN was an increase of £1,800 - £2,100 per month to the contract.</p> <p>This would equate to £25,200 per year and £252,000 for the lifetime of the contract. However, discussions with the Acting Head of Parking confirmed this was likely to be a lot more as this increase was based on usage.</p> <p>Due to the value of the CCN, enquiries were made whether a contract variation was ever completed with parking services, Commissioning and the Director of Regeneration.</p> <p>This also applies to CCN 1 that has a financial impact of £16,063.00 with the effect over the lifetime of the contract being £160,630.</p> <p>It is noted that within Schedule 5 of the contract which relates to Change Control Procedures; that 'A Change Control Note signed by both Parties shall constitute a variation to this</p>	<p>Lack of understanding of understanding of what was agreed.</p> <p>Lack of a formalised process as requirements are not documented.</p>	<p><b>A contract variation was found not to have been authorised as expected.</b></p> <p><b>As the value of the CCN is between £100k-£500k, a contract variation should have been undertaken then the following should have been in place :-</b></p> <ul style="list-style-type: none"> <li>• <b>Completion of a sign off sheet confirming the contract variation values and approval.</b></li> <li>• <b>Agreement with Chief Officer</b></li> <li>• <b>Agreement via the Commissioning Board</b></li> </ul>

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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>Contract in accordance with the terms of the Contract'. Internal Audit have not seen sight of the relevant sign off sheet and Portfolio Approval in both cases.</p>		<ul style="list-style-type: none"> <li>• <b>Approval by Portfolio Holder</b></li> </ul> <p><b>Retrospective approval will need to be completed in both of these cases.</b></p> <p><b>[Priority 1]</b></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><b><u>Change Control Notices (CCN's)</u></b></p> <p>Copies of CCN's were provided to the Auditor. A number of issues arose :-</p> <ul style="list-style-type: none"> <li>• It is not always clear if the amounts specified are an increase or a decrease in the contract fee (CCN 01);</li> <li>• The CCN's do not always mention the timescale that the specific CCN is applicable for such as the lifetime of the contract or for one year.</li> <li>• CCN's were found not to always have a unique sequential number as there were duplicate references identified. Rather than subsequent additions or revisions to the CCN allocated A, B or C etc. they were given the same CCN references resulting in two CCN 9 documents</li> <li>• Any changes in process are reflected within the procedural documentation.</li> </ul>	<p>The impact of the CCN may be misunderstood as well as the financial impact.</p> <p>Duplicate CCN's may lead to the wrong information being acted upon.</p>	<p><b>Change control procedures should be fully completed and should be clear and concise.</b></p> <p><b>Timescales and amounts should be clearly defined. Each CCN should have a unique sequential number and any amendment should be allocated a secondary reference. CCN procedures should be updated.</b></p> <p><b>[Priority 2]</b></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><b><u>Key Performance Indicators</u></b></p> <ul style="list-style-type: none"> <li>• The process of collecting KPI's and the relevant documentation used was found not to be standardised. The process by which KPI's are collected are not clearly defined and data held in relation to each of the indicators is not readily accessible. Data should be available whether a default is triggered or not.</li> <li>• The KPI table that was previously completed stopped being produced. The Acting Head of Parking advised that they had now reinstated this without delay. The table will need to be amended and reviewed to ensure all relevant information is available at any given time such as responsible officer, source of data etc.</li> <li>• The KPI table should be supported by relevant documentation detailing the frequency of collection, responsible post holder, KPI target, KPI actual and the applicable default for the relevant period.</li> <li>• KPI's that are not collected frequently should have the relevant supporting documentation to confirm this as such. As and when training is completed as in KPI GP1.</li> <li>• Staff responsible for collecting the KPI's should be easily identifiable.</li> </ul>	<p>KPI data may be collected different formats.</p> <p>Staff may be unaware of their responsibilities as part of the contract.</p> <p>Reporting formats may not be fully complete and may not include the key data.</p> <p>KPI data may be misinterpreted or could lead to inconsistencies in data reporting.</p>	<p><b>The process for collecting KPI data should be standardised. KPI data should be readily available for those where defaults are triggered or not and the staff should be allocated responsibility for collecting the individual KPI's.</b></p> <p><b>The KPI table should be reinstated and be updated to include the source of data, frequency of collection, all KPI target and actual data and the applicable default fee. Staff should be more aware of their responsibilities in relation to the KPI data and reporting schedules.</b></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
	<ul style="list-style-type: none"> <li>• There is currently a lack of understanding from the Parking Services team in respect of their knowledge of responsibilities in collecting the KPI data and the impact of the KPI data.</li> <li>• <u>CB1-3 – Banking of Cash</u> The Acting Head of Parking who started in this post in October 2018, confirmed that these KPI's need to be investigated further. It was confirmed to the Auditor that there is a problem with the Authority's bank not allowing the contractor to bank money directly into the Authority's bank, therefore the contractor has to bank the money into their own accounts and once that's clears they transfer the money to the Authority. A further update is due to be provided from the Acting Head of Parking as there has been a further change in process at the end of the audit.</li> <li>• <u>MP1-4 Cashless Parking Solution (Mobile Phone)</u> A sample of months were selected for review. Data for November 2017 could not be provided as held within email format and was not accessible. For May 2018 and August 2018 the Auditor was advised that there was no default triggered and therefore no documentation.</li> <li>• <u>GP1-4 – General Provision</u> The Auditor was advised that in November 2017 – there</li> </ul>		<p><b>Information requested in relation to the individual KPI data should be readily available. All key information should be held in a shared directory so that it can be accessed by all relevant officers involved in the process where required.</b></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>Internal Audit would suggest that it would be timely for a review of the current KPI's be undertaken to determine whether these should all continue to be included as the performance measures of the contract.</p>		<p><b>Key Performance Indicators should be reviewed to determine whether they remain relevant for the effective performance of this contract. Defaults should be triggered where agreed KPI's are not achieved.</b></p> <p><b>[Priority 1]</b></p>

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

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

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
6.	<p><b><u>Financial Regulations</u></b></p> <p>It was found that the Parking Services Team and Senior Management had not completed the mandatory Financial Regulations Training.</p> <p>It should be noted that the Financial Regulations Training is currently being updated and is due to be available in the next few months.</p> <p>Once available, all parking services staff will be contacted in order for the training to be completed.</p>	<p>Where financial regulations training is not completed by staff with financial responsibilities, there is a risk that staff may not act in line with the current financial regulations. This could result in financial loss or poor value for money.</p>	<p><b>All staff within the Parking Services Team, who have any financial responsibilities as part of their job requirements, should complete financial regulations training when the latest version is available.</b></p> <p><b>[Priority 2]</b></p>
7.	<p><b><u>Supporting Documentation</u></b></p> <p>During testing it was found that supporting documentation was not readily available such as the key decisions regarding not collecting some of the KPI's as well as the CCN's.</p> <p>It was found that emails were held within the individual mailbox of staff and not held centrally within a shared directory. As staff have since left the Authority, this has impacted on the service as these records no longer being accessible.</p>	<p>There is no audit trail of decisions actually made.</p>	<p><b>The way in which supporting documentation is held within Parking Services should be fully reviewed to ensure that there is a clear audit trail of all key decisions made internally and those made with contractors; performance data and</b></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>Additionally, some emails were saved but there have been problems accessing these records due to problems associated with the email archiving system.</p> <p>It was found that there was no breakdown attached to the invoice in relation to the performance related reduction. For example the invoice states in each month how much the performance related reduction will be but there is no breakdown of how that is calculated.</p> <p>It is noted that parking services will email the contractor to confirm the defaults each month but as highlighted above, these may not be accessible for one reason or another at a given time.</p>	<p>Charges detailed on invoices cannot easily be verified and reconciled back to the records held.</p>	<p><b>contract monitoring meetings.</b></p> <p><b>Supporting documentation to verify that the performance related reduction reconciles back to the invoice spreadsheet should accompany the invoice.</b></p> <p><b>[Priority 2]</b></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><b><u>Procedures</u></b></p> <p><b>Procedures and policy documentation should be readily available in in place for the current contract.</b></p> <p><b>Procedures should be kept up to date to reflect current working practices and be regularly reviewed. Job titles should appear instead of named post holders.</b></p>	2	<p>The Parking Data Analyst has confirmed that the procedures she was referring to was for all the reconciliation processes for all parking income.</p> <p>All processes are up to date. Personal names have now been removed and replaced with job titles.</p> <p>A monthly check of all processes will now take place and will be the responsibility of the Senior Contracts Officer to keep this up to date.</p>	<p>Parking Analyst for the amending the processes.</p> <p>Senior Contracts Officer will be responsible for ensuring the processes are up to date moving forward.</p>	n/a
2	<p><b><u>Contract Monitoring Meetings</u></b></p> <p><b>Contract monitoring meeting minutes should be dated.</b></p>	2	<p>I have looked over the Contract Monitoring Framework guidance on the Councils internal sites and got guidance from the Assistant</p>	<p>Acting Head of Service</p>	<p><b>Feb 2019 Meetings.</b></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

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	<p><b><u>Contract Variation</u></b>  <b>A contract variation was found not to have been authorised as expected.</b></p> <p><b>As the value of the CCN is between £100k-£500k, a contract variation should have been undertaken then the following should have been in place :-</b></p> <ul style="list-style-type: none"> <li>• <b>Completion of a sign off sheet confirming the contract variation values and approval.</b></li> <li>• <b>Agreement with Chief Officer</b></li> <li>• <b>Agreement via the Commissioning Board</b></li> <li>• <b>Approval by Portfolio</b></li> </ul>	1	<p>CCN1 was revised by CCN2. Therefore, I will arrange for CCN2 and CCN9 to be counter-signed by the chief officer and portfolio holder to be in line with the council's procedures.</p> <p>A full review of all CCNs will take place to ensure they are all correctly signed off.</p>	Acting Head of Service.	11/01/19

**Priority 1**  
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**Priority 2**  
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**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><b>Holder</b></p> <p><b>Retrospective approval will need to be completed in both of these cases.</b></p>				
4.	<p><b><u>Change Control Notices (CCN's)</u></b></p> <p><b>Change control procedures should be fully completed and should be clear and concise. Timescales and amounts should be clearly defined.</b></p> <p><b>Each CCN should have a unique sequential number and any amendment should be allocated a secondary reference. Procedures should be updated.</b></p>	2	<p>All CCNs that have been issued will be fully reviewed.</p> <p>Where necessary, an appendix will be issued confirming if the value is an increase or decrease, the timescale confirmed and if the value of the CCN exceeds the £50K limit, it will be arranged for the necessary officer to sign the CCN.</p>	Acting Head of Parking Services	11/01/19

**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
5.	<p><b><u>Key Performance Indicators</u></b>                      The process for collecting KPI data should be standardised. KPI data should be readily available for those where defaults are triggered or not and the staff should be allocated responsibility for collecting the individual KPI's.                      The KPI table should be reinstated and be updated to include the source of data, frequency of collection, all KPI target and actual data and the applicable default fee.                      Staff should be more aware of their responsibilities in relation to the KPI data and reporting schedules.</p>	1	<p>The monthly KPI table has been reinstated. The table has been reviewed so that it names the officers responsible for the task and also where the reports are ran from.</p> <p>A review of the folders are currently taking place and all documents will be updated monthly on the contract Register Database as well as a Sharepoint file being created.</p> <p>A full review of the KPIs will be taken place with the management team in the new year with the view of seeing if any KPIs are unnecessary to the contract.</p>	Acting Head of Parking Services	01/02/2019

**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>Information requested in relation to the individual KPI data should be readily available. All key information should be held in a shared directory so that it can be accessed by all relevant officers involved in the process where required.</p> <p>Key Performance Indicators should be reviewed to determine whether they remain relevant for the effective performance of this contract. Defaults should be made where agreed KPI's are not achieved.</p>				
6.	<p><u>Financial Regulations</u></p> <p>All staff within the Parking</p>	2	Enquires will be made for training of all staff involved in finance.	Acting Head of Service	Jan 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
	Services Team who have any financial responsibilities as part of their job requirements, should complete financial regulations training when the latest version is available.				
7.	<b><u>Supporting Documentation</u></b> The way in which supporting documentation is held within Parking Services should be reviewed to ensure that there is a clear audit trail of all key decisions made internally and those made with contractors; performance data and contract	2	All background information concerning any decisions, CCNs, KPI defaulting will be filed together on the sharepoint drive.  A full review of the folders surrounding the contract will take place.	Acting Head of Service	Jan 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
	<p>monitoring meetings. Supporting documentation to verify that the performance related reduction reconciles back to the invoice should accompany the invoice.</p>				

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

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

**Priority 3**  
Identification of suggested areas for improvement

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

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

**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVE'S DEPARTMENT**

**INTERNAL AUDIT OF PENSION PAYMENTS FOR 2018-19**

**Issued to:** Peter Turner, Director of Finance  
Tracey Pearson, Chief Accountant  
John Nightingale, Head of Revenues and Benefits  
Fahar Rehman, Pensions Manager

**Prepared by:** Internal Auditor

**Date of Issue:** 31<sup>st</sup> January 2019

**Report No.:** CEX/06/2018/AU

## REVIEW OF PENSION PAYMENTS FOR 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Pension Payments for 2018-19. The audit was carried out in quarter 2 of 2018-19 as part of the programmed work specified in the 2018-19 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 11<sup>th</sup> July 2018.
4. A Client Team for the Authority liaise with the Authority's Exchequer Services contractor who are contracted to undertake Pension Administrations for departments within LBB.
5. ALTAIR is used to store all documentation for staff pension payments.

### AUDIT SCOPE

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

### 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.

### MANAGEMENT SUMMARY

8. Controls noted to be in place and working well, based on the sample testing conducted, included:
  - For a sample of 10 overseas pensioners, it was verified that 'life certificates' were up to date.

## REVIEW OF PENSION PAYMENTS FOR 2018-19

- For a sample of 10 deaths where death grants were provided, it was confirmed that information surrounding the death grants were appropriately evidenced as checked and investigated before being paid.
- For a sample of 10 refunds, it was confirmed that refunds were only made to persons with less than two years of employment with the Local Authority.
- Reconciliations were being conducted by the Authority's Exchequer Services contractor on a quarterly basis.

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

- There were no specific policies and procedures in place for the pension payment work undertaken by the Authority.
- For a sample of five leavers tested, it was identified that there was one instance where the task management system for the leaver had not been updated.
- Reconciliations between the Authority's Exchequer Services contractor's financial information system (FIS) and the Authority's system Resourcelink were not being signed once verified by a second officer.
- Cheque payments are currently being processed for pension refunds; audit had previously recommended that payments move to BACS payments.

### 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 PENSION PAYMENTS FOR 2018-19**

**DETAILED FINDINGS**

**APPENDIX A**

No.	Findings	Risk	Recommendation
1.	<p><b><u>Policies and Procedures</u></b></p> <p>In order to help ensure continuity of service and compliance with legislation and management expectations, appropriate procedures and guidance should be in place for staff to follow.</p> <p>Discussion with the Pensions Manager and the Head of Revenues and Benefits identified that there were no specific policies and procedures in place for the Authority’s Pensions Team.</p> <p>It is acknowledged that a ‘Recurring Tasks and Pensions Position Statement’ (which documents all the tasks that are required to be completed throughout the year and the approximate date at which the tasks are due to be completed) and a Code of Practice were in place. However, procedure notes or guidance for the actual processes within the ‘Recurring Tasks and Pensions Position Statement’ were not in place. It was advised that only experienced officers were hired, who know how to undertake their roles.</p> <p>The Council’s Exchequer Services contractor had their own set of procedures to follow when undertaking their processes.</p>	<p>Where processes are not in place or are not sufficiently detailed, there is a risk that staff are unable to follow accepted processes which as a result can lead to inconsistencies and the Council being non-compliant with legislation.</p>	<p>Policies and procedures should be put in place for the Authority’s pension team. Once in place, these should be reviewed on a periodic basis.</p> <p><b>(Priority 2)</b></p>

REVIEW OF PENSION PAYMENTS FOR 2018-19

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
2.	<p><b><u>Leavers from the Bromley Scheme</u></b></p> <p>The task management system helps to identify which actions for that staff member are still outstanding.</p> <p>A sample of 5 leavers from the pension scheme covering the 12 months leading up to the audit was tested and it was identified that:</p> <ul style="list-style-type: none"> <li>• (Audit sample 1, the task in ALTAIR was still outstanding.)</li> </ul>	<p>Where the task management system is not updated in a timely manner there is risk of duplication of work.</p>	<p>The task management system should be updated once actions have been progressed.</p> <p><b>(Priority 3)</b></p>
3.	<p><b><u>Reconciliations</u></b></p> <p>Quarterly reconciliations are conducted by Council’s Exchequer Services contractor for their financial information system (FIS) and the Authority’s pension system ResourceLink. The reconciliation is split into four cost codes: 7720 Retirement grants, 7722 death grants, 7731 transfer out, and 7732 transfer in.</p> <p>Examination of the last four quarterly reconciliations identified that once completed the reconciliations were sent to the Principal Accountant for verification; however, there was no evidence to verify that the Principal Accountant has reviewed the reconciliations undertaken.</p>	<p>Where reconciliations are not verified by a second officer and signed on verification, there is a risk that reconciliations may not have been checked and any non-reconciling items identified.</p>	<p>Reconciliations should be signed off by the officer responsible for undertaking the reconciliation and by the officer responsible for reviewing the reconciliation.</p> <p><b>(Priority 2)</b></p>

REVIEW OF PENSION PAYMENTS FOR 2018-19

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
4.	<p><b><u>Follow up Previous Recommendations – Refunds</u></b></p> <p>The 2016-17 Pensions Audit finalised in September 2017 found that for the sample of 10 refund payments tested all had been made by cheque. The recommendation, accepted by management was to consider making pension refunds via BACS.</p> <p>The Pensions Manager confirmed in this audit that whilst being progressed some payments are still being made by cheque.</p>	Refunds may not be made efficiently	Consideration should be put into making pension refunds via BACS. <b>(Priority 3*)</b>

**REVIEW OF PENSION PAYMENTS FOR 2018-19**

**APPENDIX B**

**MANAGEMENT ACTION PLAN**

<b>Finding No.</b>	<b>Recommendation</b>	<b>Priority *Raised in Previous Audit</b>	<b>Management Comment</b>	<b>Responsibility</b>	<b>Agreed Timescale</b>
1.	Policies and procedures should be put in place for the Authority's pension team. Once in place, these should be reviewed on a periodic basis.	2	Policies and procedures notes to be made and stored on shared drive	Pensions Manager	31/08/2019
2.	The task management system should be updated once actions have been progressed.	3	The Council's Exchequer Services contractor to ensure task management is completed at each stage	The Authority's Exchequer Services contractor	31/03/2019
3.	Reconciliations should be signed off by the officer responsible for undertaking the reconciliation and by the officer responsible for reviewing the reconciliation.	2	Quarterly reconciliations to be carried out by Capital Accountant and signed off by Principal Accountant	Principal Accountant/Capital Accountant	30/04/2019
4.	Consideration should be put into making pension refunds via BACS.	3*	Agreed	The Authority's Exchequer Services contractor	To be agreed

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**

**ENVIRONMENTAL AND COMMUNITY SERVICES**

**REVIEW OF THE MANAGEMENT OF STRATEGIC PROPERTY FOR 2017-18**

**Issued to:** Michael Watkins, Head of Asset and Investment  
Catherine Pimm, Asset Management Team Manager

**Cc:** Colin Brand, Director of Regeneration  
Nigel Davies, Executive Director ECS  
Peter Turner, Director of Finance  
Claire Martin, Head of Finance ECS and Corporate Services

**Prepared by:** Principal Auditor

**Date of Issue:** 23/11/2018

**Report No:** ECS/07/2017/AU

## REVIEW OF THE MANAGEMENT OF STRATEGIC PROPERTY AUDIT 2017-18

### INTRODUCTION

1. This report sets out the results of our systems based audit of the management of Strategic Property for 2017-18. The audit was started in Q4 of 2017-18 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. Any Priority 1 recommendations or Nil/Limited Assurance opinions must be considered for inclusion in the Department's Risk Register.

### AUDIT SCOPE

3. The scope of the audit was outlined in the Terms of Reference issued on 09/03/2018.

### 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 D.

### MANAGEMENT SUMMARY

5. The contract for facilities management is with the Total Facilities Management contractor (TMF contractor) but, the Strategic Property part of the contract is performed by the Strategic Property sub-contractor. The Communications Protocol (Schedule 26) in the contract specifies how the relationship between LB of Bromley, the TMF contractor and the Strategic Property sub-contractor should operate and LBB approaches the Strategic Property sub-contractor directly. The payment process within that schedule (paragraph 7) states that the Strategic Property sub-contractor will invoice the TMF contractor, who then invoice LBB for the agreed amount.

## REVIEW OF THE MANAGEMENT OF STRATEGIC PROPERTY AUDIT 2017-18

6. This review focused on the management of Strategic Property including performance of the Strategic Property sub-contractor. Controls were reviewed by way of checking supporting documents and sample testing. The following issues have been identified which we would like to draw to management's attention:-

- **Verification of Contract Performance to support payments**

A sample of 5 invoices was selected from all payments made to the TMF contractor in respect of the Strategic Property sub-contractor between October 2016 and March 2018 to ensure validation checks were undertaken before approval for payment. The sample of 5 invoices included 4 monthly contract invoices for the Strategic Property sub-contractor. To validate the payment in full for the sample invoices the monthly monitoring reports, the tracker of LBB's work schedule and contract monitoring meeting minutes for the sample months were checked. Findings arose in all three areas (as discussed in Finding 1) that challenge the validity of these documents to support payment in full.

- **Issues with work commissioned from the Strategic Property sub-contractor which is outside the scope of the contract**

It was noted that a number of projects were commissioned from the Strategic Property sub-contractor which are outside the scope of the contract. These projects were funded from capital funding of £250K for property disposal/feasibility works. This funding was agreed by the Executive on 24/05/2017 to enable feasibility works to be undertaken on various sites. The Executive was informed by Management that the feasibility work would be undertaken by the Strategic Property sub-contractor, the key subcontractor of the Council's Total Facilities Management Contract, and their fee basis is calculated against the schedule of rates contained within the contract and consequently separate tenders for this work would not be required.

From the review of a sample of 5 projects, it could not be established that the TFM agreed schedule of rates were applied for these projects/feasibility studies. Payments have been made towards 3 of the 5 projects in the sample, for a total of £67,752 and therefore it cannot be confirmed if the Council has secured value for money.

## REVIEW OF THE MANAGEMENT OF STRATEGIC PROPERTY AUDIT 2017-18

- **Key performance Indicators (KPIs)**

The KPIs in the original contract were deemed to be unworkable by Management and a review of KPIs was started with the contractor in January 2017 which completed in January 2018. New KPIs and a Balanced Scorecard system to calculate the penalties were agreed by the Strategic Partnership Board for implementation from 01/03/2018. The following issues were noted with the review process and adoption of new KPIs and Balanced Scorecard system to calculate the penalties:

- No interim arrangements were put in place for monitoring and application of penalties whilst the original KPIs were under review.
- No penalty has been applied which relate to the management of Strategic Property since the start of the contract in December 2016. Due to poor recording of contract monitoring information it could not be confirmed if satisfactory service has been received and penalties were not due, or penalties were due, but had not been applied.
- There is no evidence that the management has considered the financial impact of non-delivery of service to LBB to inform the maximum penalties.

- **£1m income generation plan**

On commencement of the contract in October 2016, the Strategic Property sub-contractor was expected to develop and agree with the LBB a £1m Income Generation Strategy and Plan by April 2017 and monitor progress against this plan and report monthly. On enquiry by Internal Audit on the progress of the plan, the Head of Asset and Investment (HAI) advised that another discussion had taken place (that was also not formally documented) between LBB and the Strategic Property sub-contractor where it was further discussed that the savings would not be required to start being realised until April 2018.

Management provided a copy of the Income generation plan as produced by the Strategic Property sub-contractor to Internal Audit which is attached in Appendix D. Internal Audit queried the assumptions made or factors that the Strategic Property sub-contractor has taken into account in generating the plan and how have they identified the

## REVIEW OF THE MANAGEMENT OF STRATEGIC PROPERTY AUDIT 2017-18

properties from which they consider the additional income will be achieved. The HAI informed Audit that he does not have any information to substantiate the Income generation plan (Appendix D).

A copy of the first quarterly monitoring report on the progress of the Income Generation Plan as produced by the contractor was reviewed by Internal Audit. As part of the review, Internal Audit discussed the monitoring report with The Senior Accountant ECS Finance to confirm that the increase in income identified in the monitoring report was new Income. The Senior Accountant ECS Finance advised that a number of queries are outstanding on the new income identified by the contractor. Finance had been chasing the contractor since July 2018 to resolve the outstanding queries so Finance can reflect the true figure into their budget monitoring and budget estimate process.

7. Validation of a sample of 5 invoices selected from all payments made to the TMF contractor in respect of the Strategic Property sub-contractor between October 2016 and March 2018 also highlighted that one invoice was paid on an estimated amount and a year-end reconciliation for 2017-18 has not been obtained to establish the actuals.
8. From the review of a sample of 15 commercial properties Internal Audit established the following:
  - There are no common debt recovery procedures applicable to both the Exchequer contractor and the Strategic Property sub-contractor which clearly define the roles and responsibilities of each department within the contract.
  - The rental arrears report identifies debt by customer name (tenant), as opposed to property address. This poses difficulties in cases where the same tenant occupies multiple properties.

### SIGNIFICANT FINDINGS (PRIORITY 1)

9. There are 4 Priority 1 recommendations identified in this report and discussed in paragraph 6.

**DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

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

**ACKNOWLEDGEMENT**

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p><b><u>Verification of Contract Performance to support payments</u></b></p> <p>A sample of 5 invoices was selected from all payments made to the TFM contractor in respect of the Strategic Property sub-contractor between October 2016 and March 2018 to ensure validation checks were undertaken before approval for payment.</p> <p>The sample included 4 monthly contract invoices for the Strategic Property sub-contractor; Invoice 90644336 for the period October 2017, Invoice 90617392 for the period April 2017, Invoice 90656168 for the period December 2017 and Invoice 90644335 for the period September 2017. The invoices included the monthly payment for the Strategic property sub-contractor to deliver Schedule 2 works as specified in the contract.</p> <p>Management advised that to support payment in full the contractor submits a monthly monitoring report and a tracker of LBB’s work schedule to evidence delivery of services specified in the contract (Schedule 2). These documents are reviewed at the monthly contract monitoring meeting. Following the discussions at the contract monitoring meeting if the</p>	<p>Performance of the contractor is not managed, leading to ineffective service delivery and value for money not being obtained.</p>	<p><b>Payments of invoices must be supported by robust contract monitoring. Deficiencies in contract monitoring must be remedied.</b></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>contractor’s performance is deemed to be satisfactory and there are no issues which will warrant application of a penalty the invoices are agreed for payment.</p> <p>To validate the payment in full for the sample invoices the monthly monitoring reports, tracker of LBB’s work schedule and contract monitoring meeting minutes for the sample months were checked. Findings arose in all three areas (as discussed below) that challenge the validity of these documents to support payment in full.</p> <p style="text-align: center;"><b>Issues with the Strategic Property sub-contract monitoring reports</b></p> <p>Discussions with management highlighted that the information presented in the monitoring reports by the contractor is not independently verified by the contract manager. Therefore there is no independent check that the information presented on the report is accurate.</p> <p>Further review of the monitoring reports September 2017 to January 2018 was undertaken to verify that they provided evidence of service delivery and contractor’s performance. The</p>		<p><b>Management should independently verify the accuracy of the performance information produced by the Contractor.</b></p> <p><b>Management should ensure that contract monitoring reports clearly show evidence of completed work with</b></p>

Project Code: **ECS/07/2017/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>main issues arising:-</p> <ul style="list-style-type: none"> <li>• The KPI report was in a dashboard format displaying RAG status over a 3 month period. No supporting documents were attached to the reports to verify accuracy of graphical data presented. It should be noted that these KPIs are linked to financial penalties.</li> <li>• The performance dashboard report is not kept updated and the same report has been submitted for the 5 months reviewed.</li> <li>• The Property Management (L &amp; T) activities report lists the number of rent reviews that are outstanding, rent reviews that are due in next 12 months; the number of renewals due in the next 12 months and outstanding renewals. This information does not demonstrate how many, if any, rent reviews were undertaken by the contractor in that month and therefore performance.</li> <li>• The Property debtors report lists the top 10 debtors at the time of generating the information. This information is provided to the Strategic Property sub-contractor by</li> </ul>		<p><b>sufficient details to support payments for all services specified in schedule 2 of the contract</b></p> <p><b>Reports presented in dashboard format should be supported by evidence to verify the accuracy of graphical data presented.</b></p> <p><b>The performance dashboards reports should be updated and reflect any changes during that period. Submission of the same report each month should be challenged by the Client Team.</b></p> <p><b>Activity reports should reflect actual work</b></p>

Project Code: **ECS/07/2017/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>the Exchequer contractor. The report does not record any information to demonstrate if any action was taken by the Strategic Property sub-contractor to address the outstanding debt.</p> <ul style="list-style-type: none"> <li>• A list of acquisitions is included, however the status and next action in the process are not kept updated. It was noted that the asking price of 2 properties to be acquired increased from £315k to £320K (December 2017 report). No explanation was recorded for the increase in asking price on the report or in the contract monitoring minutes.</li> <li>• A List of Disposals is included, however the status and next action fields are not updated. It was noted that the value of properties to be sold decreased from £550k to £530K (December 2017 report). No explanation was recorded for the decrease in the price on the report or in the contract monitoring minutes.</li> <li>• The monthly reports do not cover all services specified in schedule 2 of the contract.</li> </ul>		<p><b>undertaken to allow meaningful monitoring of performance.</b></p> <p><b>The acquisitions and disposals lists should include adequate annotations and explanation to support change.</b></p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>The information provided by the contractor in the form of the monthly monitoring report is insufficient to demonstrate satisfactory performance as no meaningful conclusions can be drawn.</p> <p style="text-align: center;"><b>Issues with tracker of LBB’s work schedule</b></p> <p>Management advised that the contractor also provides a tracker report ahead of contract monitoring meetings for contract managers to review and highlight any issues at the contract monitoring meeting. Management could not evidence that they received the tracker report before the contract monitoring meetings for April 2017 and September 2017.</p> <p style="text-align: center;"><b>Issues with contract monitoring meetings</b></p> <p>Discussion with management confirmed that the contract monitoring meetings are minuted. Copies of the minutes are distributed to both parties and agreed at the next meeting. The minutes were not comprehensive. It was noted that the issues discussed and action required and their timescales for completion were not recorded on the action log in all instances. The reports and information discussed at the contract</p>		<p><b>Management should ensure that they receive the tracker reports before the contract monitoring meetings so it can be reviewed and any issues highlighted by the report can be discussed at the contract monitoring meeting.</b></p> <p><b>The Contract monitoring meeting minutes should include :</b></p> <ul style="list-style-type: none"> <li>• <b>Detailed notes on discussion of the monitoring report</b></li> <li>• <b>Agreed actions and their timescales for completion must be</b></li> </ul>

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No.	Findings	Risk	Recommendation
	<p>monitoring meeting were not retained with the contract monitoring minutes.</p> <p>The monthly invoice should be brought to the contract monitoring meeting but the check on the minutes for the relevant monthly meetings, identified that:-</p> <ul style="list-style-type: none"> <li>• Invoice 90644336 for £ 171,410.99 for the period October 2017: The invoice was not discussed at the Contract monitoring meeting on 15/11/2017. It is minuted that the contractor informed Bromley that the October invoice was not yet ready to bring to the meeting. It should be noted that the invoice was raised on 13/11/2017 and paid on 15/11/2017.</li> <li>• Invoice 90617392 for £425,945.30 dated 10/07/2017 for the period April 2017: The invoice for April 2017 was not brought to the meeting on 17/05/2017. The fixed cost invoiced for Strategic and Operation property management for April 2017 was £104,875.53. The fixed cost should have been £84,214.16. Management advised that this discrepancy was identified in February 2018 which</li> </ul>		<p><b>recorded on the action log in all instances.</b></p> <ul style="list-style-type: none"> <li>• <b>Agreement of the payment due taking into account any amounts that need to be adjusted i.e. services not delivered, penalties etc.</b></li> </ul> <p><b>[Priority 1]</b></p>

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No.	Findings	Risk	Recommendation
	<p>occurred due to miscoding and was adjusted at a later stage via a credit note. It was noted that the invoice was paid on 11/07/2017.</p> <ul style="list-style-type: none"> <li>• Invoice 90656168 for £ 171,410.99 for the period December 2017. The invoice for December 2017 was not brought to the meeting on 17/01/2018. It should be noted that the invoice was paid on 16/01/2018.</li> <li>• Invoice 90644335 for £ 171,410.99 for the period September 2017. It is not clear from the contract meeting minutes from 25/10/2017 and 15/11/2017 that the invoice for September 2017 was discussed at the meeting. It should be noted that the invoice was paid on 15/11/2017.</li> </ul> <p>There was no formal agreement recorded that the values invoiced were due considering all factors; contract monitoring, trackers and performance.</p>		
2	<p><b><u>Issues with work commissioned from the Strategic Property sub-contractor which is outside the scope of the contract:</u></b></p>	Value for money is not achieved.	

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No.	Findings	Risk	Recommendation
	<p>It was noted that a number of projects were commissioned from the Strategic Property sub-contractor which are outside the scope of the contract.</p> <p>The Head of Asset and Investment (HAI) advised these projects were funded from capital funding of £250K for property disposal/feasibility works. This funding was agreed by Executive on 24/05/2017 to enable feasibility works to be undertaken on various sites. These sites are either currently identified or yet to be identified, within the Borough, for disposal to generate a capital receipt or to redevelop providing new facilities or developments to generate efficiencies and/or economic growth.</p> <p>Internal Audit reviewed the Executive report (Report no. DRR 17/024) and noted that the members were informed that:</p> <p><i>'3.4 This feasibility work would be undertaken by the Strategic Property sub-contractor who are the key subcontractor of the Council's TFM Contract and commenced their service offering on the 1<sup>st</sup> December 2016. Their fee basis is calculated against the schedule of rates contained within the contract which are</i></p>		

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	<p><i>set against comparable frameworks with a 5% discount consequently separate tenders for this work would not be required. This will be continually monitored on a case by case and reported to Members.</i></p> <p><i>3.12 The decision to dispose or re-develop sites will be made by the Executive on a case by case basis but would be informed by the feasibility work the details of which would be reported at that point demonstrating as to what the sums expended were and what would be required to take to market on a transparent basis by reference to the TFM agreed schedule of rates, demonstrating that the Council has secured value for money for such fees.'</i></p> <p>A list of non-contractual work (project/feasibility studies) was obtained from management on 23/03/2018 which included 8 projects which were commissioned from the Strategic Property sub-contractor. A sample of 5 projects was selected for review. The following was noted:</p> <ul style="list-style-type: none"> <li>No quotation found for 1/5 projects. (Project A, value £29,000)</li> </ul>		<p><b>Management must ensure that they achieve value for money by ensuring that work is commissioned in line with LBBs Contract Procedure Rules or TFM agreed schedule of rates are applied for</b></p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation												
	<ul style="list-style-type: none"> <li>Breakdown of cost was not provided on 3/5 quotations. Therefore it is not possible to establish if rates quoted were as per the SOR agreed in the contract. (Project B, value £45,000, Project C value £41,750 and Project D value £75,000)</li> <li>For one of the 5 projects, Project E, rates quoted on the proposal were significantly higher than the SOR agreed in the contract. (Project value £14,304.00)</li> </ul> <table border="1" data-bbox="383 751 1171 1018"> <thead> <tr> <th>Hourly rates</th> <th>On the quotation</th> <th>Agreed SOR as per the contract</th> </tr> </thead> <tbody> <tr> <td>Partner</td> <td>£275</td> <td>£175 (Senior Director) £136 (Director)</td> </tr> <tr> <td>Associate</td> <td>£150</td> <td>£89</td> </tr> <tr> <td>Surveyor</td> <td>£80</td> <td>£58</td> </tr> </tbody> </table> <p>No evidence was seen that the rates quoted were queried by the HAI who raised the order. It was also noted that the amount on the Order (PRW5) did not match the quotation amount.</p>	Hourly rates	On the quotation	Agreed SOR as per the contract	Partner	£275	£175 (Senior Director) £136 (Director)	Associate	£150	£89	Surveyor	£80	£58		<p><b>projects/feasibility studies as reported to Executive (Report no. DRR 17/024).</b></p> <p><b>Supporting documents i.e. fee proposals, quotations and project details should be retained.</b></p> <p><b>[Priority 1]</b></p>
Hourly rates	On the quotation	Agreed SOR as per the contract													
Partner	£275	£175 (Senior Director) £136 (Director)													
Associate	£150	£89													
Surveyor	£80	£58													

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No.	Findings	Risk	Recommendation
	<p>Therefore due to lack of supporting documents i.e. detailed fee proposals, quotations and project details it is not possible to establish that the TFM agreed schedule of rates were applied for these projects/feasibility studies.</p> <p>Senior Property Manager, TFM Client Team confirmed on 20/09/2018 that the following projects/feasibility studies have been invoiced and paid so far:</p> <p>PRW1 Invoiced and paid £38,448</p> <p>PRW5 Invoiced and paid £14,304</p> <p>PRW4 Invoiced and paid £15,000</p> <p>It cannot be confirmed that the Council has secured value for money for the combined fee of £ 67,752 paid to date to the Strategic Property sub-contractor for the above mentioned projects/feasibility studies.</p>		

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No.	Findings	Risk	Recommendation
3	<p><b><u>KPIs</u></b></p> <p>On commencement of the contract between LBB, the TFM contractor and subsequently the Strategic Property sub-contractor a number of KPIs were included in the contract.</p> <p>The HAI advised that the KPI's in the original contract were deemed to be unworkable and a review of KPIs was started with the contractor in January 2017. The review was to align the KPIs to the service line deliverables, ensuring that they were both measurable and demonstrable. HAI confirmed that a series of meetings were set up for both the contractors and LBB Client management team to attend on the 26/10/2016, 08/11/2016, 07/02/2017, 05/07/2017 and 17/10/2017.</p> <p>The review of KPIs was completed in January 2018 and the new KPIs and a Balanced Scorecard system to calculate the penalties were agreed by the Strategic Partnership Board for implementation from 01/03/2018.</p> <p>The amended KPIs to monitor the performance of the Strategic Property sub-contractor and changes to the maximum penalties applicable are detailed in Appendix C. The following</p>	<p>Where there is no documented evidence of a change in the agreed KPIs as per the agreed contract there is a risk that LBB are not achieving value for money and the service they expected.</p>	

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No.	Findings	Risk	Recommendation
	<p>issues were noted:</p> <ul style="list-style-type: none"> <li>No evidence was seen of any interim agreement for monitoring and application of penalties whilst the original KPIs were under review. It should be noted that the review of KPIs started in January 2017 and the revised KPIs were agreed for application from March 2018.</li> <li>No penalty has been applied which relate to the management of Strategic Property since the start of the contract in December 2016. Due to poor recording of contract monitoring information it could not be confirmed if satisfactory service has been received and penalties were not due or penalties were due but had not been applied.</li> <li>There has been substantial reduction in the number of KPIs and the maximum penalties for inadequate performance (Appendix C). There is no documentation to support the rationale for the amendment to KPIs and maximum penalties. There is no evidence that the management has considered the financial impact of non-delivery of service to LBB to inform the maximum</li> </ul>		<p><b>Interim monitoring arrangement and application of penalties should be agreed whilst the KPIs are reviewed.</b></p> <p><b>Supporting documents should be retained to evidence contract monitoring and an audit trail of action taken and decisions made.</b></p> <p><b>Meetings between contract management and contractors where changes to the agreed contract are discussed should be formally documented.</b></p> <p><b>Written instructions should be written for the</b></p>

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No.	Findings	Risk	Recommendation
	<p>penalties.</p> <ul style="list-style-type: none"> <li>There are no written instructions on how the Balanced Scorecard calculates the penalties. Internal Audit reviewed the workings of the Balanced Scorecard with the HIA. It was noted that the scorecard does not calculate correct values in all instances. The HAI could not explain the anomalies and advised that a further review of the KPIs and penalties is being considered.</li> </ul>		<p><b>Balanced Scorecard.</b>  <b>If there are any further changes to KPI's or the Balanced Scorecard the recommendations identified by Internal Audit must be adhered to. (Priority 1)</b></p>
4	<p><b><u>£1m Income Generation Plan</u></b></p> <p>In the Executive meeting on 20/07/2016 (Report no. DRR16/066) members were informed that :</p> <p><i>'In addition as highlighted in the previous report the Strategic Property sub-contractor will also, on an incentivised basis, seek to grow our net investment income (excluding property generated by new capital) by a minimum of £1m (index adjusted) within three years. This will be achieved by:</i></p> <ul style="list-style-type: none"> <li><i>o Reshaping the investment portfolio to improve returns and income growth prospects.</i></li> </ul>	<p>Failure to monitor key outcomes for the contract lead to potential losses to the authority.</p>	<p><b>Management should ensure that any changes to delivery of key outcomes (to grow the net investment income by a minimum of £1m within 3 years) should be formally agreed and documented.</b></p> <p><b>Penalties should be applied consistently and</b></p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation									
	<p>o Adopting a more commercial approach to managing rents.</p> <p>o Adopting a more commercial approach to service charge recoveries.</p> <p>The incentive for the Strategic Property sub-contractor will be that after the first £350k of new income generated for the Council, they will retain a % of the income based on a banded fee. This is broken down in the table below:-</p> <table border="1" data-bbox="282 735 1178 847"> <tr> <td>Band 1</td> <td>0 to £350k</td> <td>No fee</td> </tr> <tr> <td>Band 2</td> <td>£351k to £700k</td> <td>7% of increment</td> </tr> <tr> <td>Band 3</td> <td>£701k to £1m</td> <td>10% of increment</td> </tr> </table> <p>Members were assured that the Strategic Property sub-contractor's commercial knowledge and experience will allow them to grown the net investment income by a minimum of £1m within 3 years.</p> <p>On commencement of the contract in December 2016, the Strategic Property sub-contractor was expected to develop and agree with the Customer's client a £1m Income Generation Strategy and Plan by April 2017 and monitor progress against</p>	Band 1	0 to £350k	No fee	Band 2	£351k to £700k	7% of increment	Band 3	£701k to £1m	10% of increment		<p>any decisions by management to not apply penalties should be recorded along with the justification.</p> <p>Supporting documents to verify the assumptions made or factors that the Strategic Property sub-contractor has taken into account in producing the Income Generation Plan should be obtained from the contractor and retained for reference.</p> <p>Management should ensure that the queries on</p>
Band 1	0 to £350k	No fee										
Band 2	£351k to £700k	7% of increment										
Band 3	£701k to £1m	10% of increment										

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No.	Findings	Risk	Recommendation
	<p>this plan and report monthly. A critical KPI with a monthly penalty of £5,000 for non-delivery was included in the contract to monitor progress of the Income Generation Plan. On enquiry by Internal Audit to establish why the penalties have not been applied for the period April 2017 to March 2018, HAI advised that another discussion had taken place (that was not formally documented) between Strategic Partnership Board and the Strategic Property sub-contractor where it was further discussed that the savings would not be required to start being realised until April 2018.</p> <p>Management provided Internal Audit with a copy of the current Income Generation Plan, as produced by the contractor. This is attached in Appendix D. Internal Audit queried the assumptions made or factors that the Strategic Property sub-contractor have taken into account in generating the plan and how they have identified the properties from which they consider the additional income will be achieved. HAI confirmed that he does not have any information to substantiate the Income Generation Plan (Appendix D).</p> <p>HAI provided a copy of the first quarterly monitoring report on the progress of the Income Generation Plan as produced by</p>		<p><b>the monitoring report to review the progress of the Income Generation Plan are resolved by the contractor in a timely manner.</b></p> <p><b>Going forward, management should ensure that the contractor provides clear evidence to support all new income identified with the monitoring report.</b></p> <p><b>(Priority 1)</b></p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>the contractor to Internal Audit on 10/10/2018. The monitoring report was discussed with Senior Accountant ECS Finance to confirm that the increase in income identified in the monitoring report was new Income. The Senior Accountant ECS Finance advised that a number of queries have been raised on the new income identified by the contractor. Finance have been chasing the contractor since July 2018 to resolve the outstanding queries so Finance can reflect the true figure into their budget monitoring and budget estimate process.</p>		
5	<p>Validation of a sample of 5 invoices selected from all payment made to the TFM contractor in respect of the Strategic Property sub-contractor between October 2016 and March 2018 also highlighted following issue.</p> <ul style="list-style-type: none"> <li>○ Invoice 51653 for £42,866.50 dated 14/11/2017 which was paid on 22/12/2017. A review of supporting information highlighted that the liability to Bromley for nearly £43K is based on estimate and at the end of the year the relevant finance company would carry out reconciliation (true-up) of the expenditure which would then show the actual expenditure. A year-end reconciliation was not obtained to establish the actuals.</li> </ul>	<p>Failure to undertake appropriate checks lead to potential losses to the authority.</p>	<p><b>Where payments are made on estimates, actual charges should be confirmed from year end reconciliations and adjusted accordingly.</b></p> <p><b>[Priority 2]</b></p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
6	<p><b><u>Debt Recovery</u></b></p> <p>Rental income collection and debt recovery action is undertaken by the Exchequer contractor based on instructions supplied by the Strategic Property sub-contractor.</p> <p>Debt recovery however, should be undertaken in consultation with the Strategic Property sub-contractor (particularly where more serious recovery action is taken, such as appointing a debt collector or bringing legal action) as the property surveyors may be more familiar with the tenant's circumstances.</p> <p>It was identified that there are no common debt recovery procedures applicable to both the Exchequer contractor and the Strategic Property sub-contractor which clearly define the roles and responsibilities of each department within the contract.</p> <p>In addition, from testing a sample of 15 properties audit established the following:</p> <p>Accounts may be responsible for a number of leases. For reference A this is an example of such a case and it is therefore difficult to apportion debts to the correct lease. The total value of the arrears was £6,000 for two quarters on the</p>	<p>Where rental income is not recovered in a complete manner, there is a risk of financial loss to the Council. Where rental income and payments made cannot be accurately attributed to individual leases there is a risk that recovery action is undertaken on the incorrect lease.</p>	<p><b>A set of common debt recovery procedures applicable to both the Exchequer contractor and the Strategic Property sub-contractor should be developed. These should clearly define the roles and responsibilities of each department.</b></p> <p><b>In addition, monies paid for rental income should be netted off to specific leases within accounts.</b></p> <p><b>(Priority 2)</b></p>

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No.	Findings	Risk	Recommendation
	<p>debt report and therefore it would seem that this is in relation to this property, but as there are other properties on the account it is not known for certain.</p> <p>For reference B, the tenant holds three leases under this account, some payments have been made but there is still an outstanding amount of £2,523.67 and it is unknown which particular lease this refers to.</p> <p>For reference C, there was an outstanding builders insurance premium of £549.69 and we were unable to establish what, or if any recovery actions had been taken on this reference.</p>		
7	<p><b><u>Rental Arrears</u></b></p> <p>We were informed that staff from the Strategic Property sub-contractor do not have a straightforward manner of accessing up-to-date information on rental arrears and are required to email the Exchequer contractor in order to obtain this information. The Strategic Property sub-contractor do receive a monthly report showing outstanding invoices from the Exchequer contractor; however, this identifies debt by customer name (tenant), as opposed to property address. This</p>	<p>Where up-to-date information on rental arrears is not easily accessible there is a risk staff do not have adequate information for decision-making purposes.</p>	<p><b>A spreadsheet should be developed and kept up-to-date with the rental arrears on each property. This should be set up by property address. This should be easily accessible to all relevant the Strategic Property sub-contractor staff.</b></p>

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No.	Findings	Risk	Recommendation
	poses difficulties in cases where the same tenant occupies multiple properties; e.g. it may be unclear for the surveyors how much debt is attributable to each property.		<b>(Priority 2)</b>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p><b>Payments of invoices must be supported by robust contract monitoring. Deficiencies in contract monitoring must be remedied.</b></p> <p><b>Management should independently verify the accuracy of the performance information produced by the Contractor.</b></p> <p><b>Management should ensure that contract monitoring reports clearly show evidence of completed work with sufficient details to support payments for all services specified in schedule 2 of the contract</b></p>	1	<p>The recommendations of this report have already been actioned in respect of monthly minutes with regard to tracker reports being received prior to meetings so it can be reviewed and any issues highlighted by the report can be discussed at the contract monitoring meeting.</p> <p>The Strategic Property sub-contractor have been instructed to provide from the Property Management Data Base the following reports on a calendar monthly frequency by the 10th of each calendar month effective from 10 November 2018.</p> <p>Report 1: The total value and</p>	Head of Asset and Investment	Ongoing with evidence based reports by 15/11/2018

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p><b>Reports presented in dashboard format should be supported by evidence to verify the accuracy of graphical data presented.</b></p> <p><b>The performance dashboards reports should be updated and reflect any changes during that period. Submission of the same report each month should be challenged by the Client Team.</b></p> <p><b>Activity reports should reflect actual work undertaken to allow meaningful monitoring of performance.</b></p> <p><b>The acquisitions and disposals lists should include adequate annotations and explanation to</b></p>		<p>breakdown of Rent due in Report Month from the Property Management database.</p> <p>The total value and breakdown of all other income due in Report Month from the Property Management database.</p> <p>Breakdown to include Rent, Service Charge, Rates etc and asset class – i.e. Investment Portfolio/General Portfolio etc.</p> <p>Report 2: A list of all void properties and how long they have been void.</p> <p>Report 3: Copies of the Monthly “Activity Alerts List” detailing rent reviews/lease renewals and trigger</p>		

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>support change.</p> <p>Management should ensure that they receive the tracker reports before the contract monitoring meetings so it can be reviewed and any issues highlighted by the report can be discussed at the contract monitoring meeting.</p> <p>The Contract monitoring meeting minutes should include:</p> <ul style="list-style-type: none"> <li>Detailed noted on discussion of the monitoring report</li> <li>Agreed actions and their timescales for completion must be recorded on the action log in all instances.</li> </ul>		<p>events.</p> <p>Above report to show that appropriate action/review was taken to ensure that service of all rent review notices was undertaken within 3 months prior to review date and terms agreed on lease renewals within 6 months of expiry date.</p> <p>Report 4: A copy of the case Tracker.</p> <p>Report 5: A report from the Exchequer contractor requested via the Strategic Property sub-contractor to show the calendar month arrears against the Exchequer contractor's Rent Roll.</p>		

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<ul style="list-style-type: none"> <li>Agreement of the payment due taking into account any amounts that need to be adjusted i.e. services not delivered, penalties etc.</li> </ul>		<p>Report 6: A random sample of 5 cases from Reports 3&amp;4 to demonstrate the Strategic Property sub-contractor’s Self Audit.</p> <p>In addition to this the TFM team will also undertake a random audit each month.</p> <p>A monthly diarised minuted meeting commencing from 12/11 will take place with the Strategic Property sub-contractor to review the above reports prior to the monthly Service Operations Board.</p>		
2	Management must ensure that they achieve value for money by ensuring that work is commissioned in line with LBBs Contract Procedure Rules or	1	The Strategic Property sub-contractor has failed to deliver quotes and estimates in accordance with the contract provisions despite repeated requests to do so.	Head of Asset and Investment / Asset Management Team Manager	Ongoing

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	<p><b>TFM agreed schedule of rates are applied for projects/feasibility studies as reported to Executive (Report no. DRR 17/024).</b></p> <p><b>Supporting documents i.e. fee proposals, quotations and project details should be retained.</b></p>		<p>Consequently the decision has been made not to award any further Development work to the Strategic Property sub-contractor and utilise the Council’s usual procurement routes instead.</p> <p>Where the Strategic Property sub-contractor still provide L&amp;T advice outside the scope of the contract – such works are either specifically approved via the Executive or will be in accordance with the Schedule of Rates contained within the Contract with retained instructions/quotes/fee breakdown/scope and variations.</p>		

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3	<p><b>Interim monitoring arrangement and application of penalties should be agreed whilst the KPIs are reviewed.</b></p> <p><b>Supporting documents should be retained to evidence contract monitoring and an audit trail of action taken and decisions made.</b></p> <p><b>Meetings between contract management and contractors where changes to the agreed contract are discussed should be formally documented.</b></p> <p><b>Written instructions should be written for the Balanced scorecard.</b></p> <p><b>If there are any further changes</b></p>	1	<p>KPI's are now monitored at the minuted Service Operations Board on a monthly basis.</p> <p>The Balanced Scorecard and associated weightings will be formally reviewed as a consequence of this audit and a series of minuted meetings will be held to deliver this.</p> <p>This review will include a set of agreed written instructions/methodology for the scorecard and will take into account the recommendations of Internal Audit.</p> <p>The series of minuted meetings will be held on 6/11, 20/11, 4/12 and 18/12 – with a view to submitting for</p>	Head of Asset and Investment / Asset Management Team Manager	Mid Jan 2019

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	to KPI's or the Balanced Scorecard the recommendations identified by Internal Audit must be adhered to.		approval at the January Strategic Partnership Board meeting.		
4	<p>Management should ensure that any changes to delivery of key outcomes (to grow the net investment income by a minimum of £1m within 3 years) should be formally agreed and documented.</p> <p>Penalties should be applied consistently and any decisions by management to not apply penalties should be recorded along with the justification.</p> <p>Supporting documents to verify the assumptions made or</p>	1	<p>The Strategic Property sub-contractor has provided high level figures for income they believe they have generated, however as of 31 October 2018, no detailed working papers have been submitted to substantiate these figures.</p> <p>The Strategic Property sub-contractor has now been instructed to provide more details on how the extra income will be generated / achieved on a case by case basis. The analysis of the forecast is hoped to be completed by 20</p>	Head of Asset and Investment	<p>20/11/2018</p> <p>And ongoing via monthly meeting and report thereafter.</p>

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>factors that the Strategic Property sub-contractor has taken into account in producing the Income Generation Plan should be obtained from the contractor and retained for reference.</p> <p>Management should ensure that the queries on the monitoring report to review the progress of the Income Generation Plan are resolved by the contractor in a timely manner.</p> <p>Going forward, management should ensure that the contractor provides clear evidence to support all new income identified with the</p>		<p>November 2018 (meetings scheduled for 1/11, 6/11, 13/11 and 20/11).</p> <p>Monthly progress meetings have been scheduled on the first Tuesday of each month to review and monitor progress – these meetings will be minuted and will take place to the monthly Service Operations Board.</p> <p>The Strategic Property sub-contractor will formally present a monthly report on progress within their part of the monthly Service Operations Board Agenda.</p> <p>The additional income has been built into the Council’s Financial Forecast.</p>		

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	monitoring report.		If the Strategic Property sub-contractor fails to meet the agreed saving target of £1m then contractual penalties would be applied consistently and any decisions by management to not apply penalties would be recorded along with the justification and approval from the Director of Regeneration.		
5	<b>Where payments are made on estimates, actual charges should be confirmed from year end reconciliations and adjusted accordingly.</b>	<b>2</b>	Where Service Charge Payments are made by the Council in respect of its occupation of premises then following year end reconciliation should take place within 4 months – as per standard industry practice.  Audits findings related to the	Head of Asset and Investment	20/11/2018

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			Service Charge at Property F. The Strategic Property sub-contractor have been instructed to conclude this reconciliation by 20 November.		
6	<p><b>A set of common debt recovery procedures applicable to both the Exchequer contractor and the Strategic Property sub-contractor should be developed. These should clearly define the roles and responsibilities of each department.</b></p> <p><b>In addition, monies paid for rental income should be netted off to specific leases within accounts.</b></p>	2	<p>It is agreed that both the TFM and the Exchequer contractor Contracts are not clear on roles and responsibilities and that the Strategic Property sub-contractor should take the lead on the instruction of Debt Recovery.</p> <p>The Strategic Property sub-contractor has identified and evidenced this as a failing in the contract early on and has continually tried to work with the Exchequer contractor in a) receiving appropriate debt information and b)</p>	Head of Asset and Investment	28/02/2019

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			<p>agreeing a process for instruction on debt/arrears recovery.</p> <p>A process to rectify this has been submitted by the Strategic Property sub-contractor to define the roles and responsibilities of each department and also ensure that monies paid for rental income are netted off to specific leases within accounts.</p> <p>The TFM Team will liaise with the Exchequer contractor to ensure this process is adopted – with the output being monitored via the SOB Monthly Meetings. It is planned that this should be in place by February 2019.</p>		

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			This approach will be discussed with Head of Exchequer services for her approval/endorsement.		
7	<b>A spreadsheet should be developed and kept up-to-date with the rental arrears on each property. This should be set up by property address. This should be easily accessible to all relevant the Strategic Property sub-contractor staff.</b>	<b>2</b>	As per Recommendation 6, a process to rectify this has been submitted by the Strategic Property sub-contractor to define the roles and responsibilities of each department and also ensure that monies paid for rental income are netted off to specific leases within accounts and therefore the ability to generate a rent arrears spreadsheet against each property can be delivered.  The TFM Team will liaise with the Exchequer contractor to ensure this process is adopted – with the output	Head of Asset and Investment	28/02/2019

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			being monitored via the SOB Monthly Meetings. It is planned that this should be in place by February 2019.  This approach will be discussed with Head of Exchequer services for her approval/endorsement.		

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KPI - Strategic Property sub-contract							
No.	Component	Basis of Measurement	Basis and Source of Scoring	Target Score %	Frequency	Penalty as per original contract	Amended maximum penalty
1	Disposals	Percentage	To manage the customers disposals programme and report performance against this programme on a monthly basis	95%	Monthly	£1,000	£417
2	Finance and audit - SAM performance	Percentage	Report monthly on portfolio performance including value of rent role, arrears by age, voids, improvement opportunities (lease events such as rent reviews, lease renewals and re-gears).Report to compare contracted, opportunity and actual totals. To be broken down into categories. Unless markets conditioned or strategy mean that it is not in the Councils best interests, serve all rent review notice within 3 months of review	95%	Monthly	17 SAM KPIs- penalty charge ranging from £5000 to £1000	£417

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			date and agree terms on lease renewals within 6 months of expiry date.				
3	Property data base and transparency agenda	Percentage	Maintain an accurate property data base of all LBB properties and ensure transparency agenda is delivered and maintained so that LBB is fully compliant.	95%	Quarterly	Initially £5000 and then KPIO after 95% accuracy was achieved.	£624
4	Accommodation strategy	Percentage	To provide quarterly details of occupational space analysis and moves undertaken together with recommendations to improve space optimisation and in collaboration with customers client deliver the Civic Centre accommodation programme.	95%	Quarterly	£1,000	£204
5	Strategic Asset Management performance (Education)	Percentage	Report on the number of education land achieved in accordance with the timescales to deadlines set by customer education department.	95%	Quarterly	KPIO	£204

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6	Measurement of portfolio performance	Percentage	Assess the performance of investment properties (including shopping centres) to enable an assessment of whether properties should be retained or sold to ensure that the Councils investment criteria are met and the portfolio provides an appropriate risk profile - as per the estate strategy and finance budget assumptions.	95%	Quarterly	KPIO	£624
7	Continuous improvement	Percentage	Demonstrate to the customer that innovation and continuous improvement are priorities in the performance of the contract.	95%	Annual	£5,000	£2,500 negotiable as this penalty is for not delivering £1 million new income.
8	Valuations (Stat)	Percentage	Conduct valuations on 100% of the portfolio with 25% of valuations being completed on a rolling basis in agreement with finance.	95%	Annual	£1,000	£5000

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9	Competency	Percentage	Vetting and training of staff to be conducted in line with best practice and the Strategic Property sub-contractor policies to ensure workforce is trained and qualified. Evidence of such to be provided if requested in a reasonable timescale.	95%	Annual	£1,000	£208
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Income Generation Plan:

	2018					2019					2020			
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4
<b>Initial Income Growth</b>														
Glades	£26,250	£26,250	£26,250	£26,250		£26,250	£26,250	£26,250	£26,250		£-00	£-00	£-00	£-00
Walnuts	£-00	£-00	£10,000	£-00		£-00	£-00	£10,000	£-00		£-00	£-00	£-00	£-00
Market Square	£-00	£-00	£-00	£59,000		£-00	£-00	£-00	£-00		£-00	£-00	£-00	£-00
Others	£-00	£2,000	£18,000	£5,000		£75,000	£-00	£-00	£-00		£10,000	£10,000	£10,000	£10,000
	£26,250	£28,250	£54,250	£90,250	<b>£199,000</b>	£101,250	£26,250	£36,250	£26,250	<b>£190,000</b>	£10,000	£10,000	£10,000	£10,000
														<b>£40,000</b>
<b>Core Income Growth</b>														
Lease Events														
- Rent Reviews	£-00	£20,000	£10,000	£10,000		£10,000	£20,000	£5,000	£25,000		£13,750	£13,750	£13,750	£13,750
- Lease Renewals	£5,000	£-00	£10,000	£5,000		£-00	£10,000	£5,000	£15,000		£10,000	£15,000	£10,000	£15,000
Lease Renegotiations	£6,000	£5,000	£7,000	£12,000		£8,500	£10,000	£12,000	£9,500		£11,250	£11,250	£11,250	£11,250
	£11,000	£25,000	£27,000	£27,000	<b>£90,000</b>	£18,500	£40,000	£22,000	£49,500	<b>£130,000</b>	£35,000	£40,000	£35,000	£40,000
														<b>£150,000</b>
<b>Cost Recovery &amp; Savings</b>														
Cost Refunds	£4,000	£4,000	£4,000	£4,000		£4,000	£2,000	£2,000			£2,000	£2,000	£-00	£4,000
Cost Recharges														
- Service Charge	£4,286	£4,286	£4,286	£4,286		£4,286	£4,286	£4,286			£-00	£-00	£-00	£-00
- Insurance	£17,143	£17,143	£17,143	£17,143		£17,143	£17,143	£17,143			£-00	£-00	£-00	£-00
- Utilities	£10,000	£10,000	£10,000	£10,000		£10,000	£10,000	£10,000			£-00	£-00	£-00	£-00
- Business Rates	£4,286	£4,286	£4,286	£4,286		£4,286	£4,286	£4,286			£5,000	£5,000	£5,000	£5,000
	£39,714	£39,714	£39,714	£39,714	<b>£158,857</b>	£39,714	£37,714	£37,714		<b>£115,143</b>	£7,000	£7,000	£5,000	£9,000
														<b>£28,000</b>
					<b>£447,857</b>					<b>£435,143</b>				<b>£218,000</b>
														<b>£1,101,000</b>
<b>Reshaping Investment portfolio</b>														
Income growth from investments	£14,500	£65,000	£65,000			£81,000	£81,000	£81,000	£81,000		£101,000	£75,500	£50,500	£25,200
					<b>£144,500</b>					<b>£324,000</b>				<b>£252,200</b>
					<b>£592,357</b>					<b>£759,143</b>				<b>£470,200</b>

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## OPINION DEFINITIONS

## APPENDIX E

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.

<b>Assurance Level</b>	<b>Definition</b>
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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