

AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.00 pm on 17 October 2019

Present:

Councillor Neil Reddin FCCA (Chairman)
Councillor Robert Evans (Vice-Chairman)
Councillors Gareth Allatt, Ian Dunn, Keith Onslow,
Tony Owen and Stephen Wells

Also Present:

Councillor Angela Page and Councillor Pauline Tunnicliffe

15 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies received from Barrie Cull and from Catriona Ellis.

16 DECLARATIONS OF INTEREST

No declarations of interest were stated.

17 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 4th JUNE 2019, EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

The public minutes of the meeting that was held on 4th June 2019 were agreed and signed as correct record.

18 QUESTIONS TO THE AUDIT SUB COMMITTEE

No questions had been received.

19 MATTERS OUTSTANDING

CSD 19142

The Committee noted the matters that had arisen from previous meetings.

The Committee was pleased to note that all of the matters with one exception had now been resolved.

Members were disappointed to note that the matter of the objection to the accounts had still not been closed. An update regarding this had been included in the Internal Audit Progress report.

RESOLVED that the Matters Outstanding report is noted.

20 QUESTIONS ON THE INTERNAL AUDIT REPORTS PUBLISHED ON THE BROMLEY COUNCIL WEBSITE

No questions had been received regarding the Internal Audit reports that had been published on the Bromley Council website.

21 INTERNAL AUDIT PROGRESS REPORT

***Note:** In the minutes, reference is made to P1, P2 and P3 recommendations. This refers to Priority One, Priority Two and Priority Three recommendations made by the Internal Audit Team—with Priority One being the most urgent.*

The Internal Audit Progress report updated Members concerning the work undertaken by the Internal Audit Team since the previous meeting held on 4th June 2019. Members were briefed concerning the progress made in implementing the previous P1 recommendations and were alerted to new P1 recommendations that had since appeared.

The Assistant Director for Highways attended the meeting to update the Committee concerning the recommendations that had been made following the audit of the **Highways Maintenance Contract**.

Members were concerned because the audit of the Highways Maintenance Contract had resulted in 3 new P1 recommendations as well as 2 P2 recommendations. Because of this, the overall audit opinion was '**Limited**'.

Management attention was required in various areas, including:

- The selection process of highways for the major works programme
- Management and delivery of the agreed highways schemes
- Controls relating to Crossovers

Members were concerned to note that with respect to 4/4 of the sampled carriageways incorporated in the Highways Investment Schemes, the total cost of highways maintenance was £305,921, but there was no documented evidence for the rationale regarding the expenditure. Back up information was not retained and there were no written procedure notes that could be referred to. Further deficiencies had been identified in respect of the management of the delivery of the agreed Highways Investment Scheme, as noted in the report.

It had also been identified in the audit that there was no documented procedure to manage requests for the reconstruction and widening of crossovers. Greater formality was needed. The Assistant Director acknowledged that better processes for dealing with documentation and record keeping were required. He felt that the Sharepoint system should be

used going forward to store data such as survey records. The data would then be easier to access and manage as it would be stored in a central location.

The Chairman mentioned issues that had arisen previously with respect to fraud relating to crossovers. The Assistant Director assured that all of the payments relating to the crossovers in the report could be evidenced. Five members of the public received a quote, three had the work done, but two did not take up the quote. Members of the public sometimes asked for a quote on the day. The engineer would then provide a written quotation, and if the customer wanted the work to go ahead, they would contact Liberata and make a card payment. The Assistant Director agreed that a record of this quotation should be kept, even if it was a photo taken on a mobile phone.

A Member commented that it would have been useful to have some sort of record of the state of the roads when the surveys were undertaken included in the PDS Committee papers, as otherwise it made it difficult to compare schemes and whether or not LBB were working to priorities.

The Assistant Director referred to six phases or priorities with respect to highways maintenance. Phase 1 consisted of the highest priority roads identified in the survey undertaken by external consultants.

A Member referred to the lack of records kept by Highway Inspectors. He expressed perturbation regarding this, saying that such records would be useful in dealing with insurance claims. He felt that this was a matter that should be tightened up on.

A Member enquired if Thames Water were repairing roads properly after undertaking maintenance work on their infrastructure. The Assistant Director answered that Thames Water would be responsible for re-surfacing roads to the relevant standards of compliance. Utility companies paid LBB to inspect their work, and LBB was the best performing London borough for inspecting defects.

A Member stated there were certain details that had been identified in the audit report on highways maintenance that had not appeared on the associated reports that had been presented to the Environment PDS Committee. He asked what lessons had been learnt to improve the information and data that was presented to the ECS PDS Committee (Environment and Community Services) and the Environment Portfolio Holder.

The Assistant Director responded that he was happy to supply more detail/data in reports if Members required it. The Member said that he would discuss the matter with the Environment Portfolio Holder.

In response to a question, the Assistant Director advised that he was hoping going forward, to undertake highway surveys every two years. The most economical way of doing this was to undertake a driven survey which cost

£60,000. A walking survey was more expensive. A survey was planned for early in 2020.

A discussion took place concerning the condition of Thames Water's infrastructure, cross over policy and how far from the centre of the road did LBB's responsibility extend to.

The Chairman thanked the Assistant Director for Highways for attending the meeting and answering the Committee's questions.

With respect to **Adult Health and Social Care Integration**, Members noted the update in the report, and that the overall audit opinion was '**Reasonable**'.

A Member commented that when looking at the updates on the Internal Audit Progress Report, it would be useful to have detail included such as the date when the P1 started, who was dealing with the matter, and the date when the matter had been closed. He also said that when a matter had been referred from Audit to PDS Committees, it would be useful to have an update in the report stating what the outcome was after being looked at by the PDS Committee. Another Member agreed that a follow up update was required, perhaps a note from the relevant PDS Chairman, or a copy of the relevant minute forwarded to the Committee.

The Head of Audit and Assurance referred the Member to Appendix A, which was the 'Priority 1 List' and said that much of the information that the Member was seeking was located there. He said that it may be useful going forward to note the relevant Head of Service on the Appendix.

A Member commented that he would like to see more individuals attending the Committee to provide information. The Head of Audit and Assurance said that it should be borne in mind that people should not be called lightly to appear before the Audit Sub-Committee. Internal Audit worked well with departments to support them to make progress. Attendance should be balanced and where it was clear that departments were not making satisfactory progress, it may be helpful for the officer to attend and explain why. The audit process should be seen as constructive and not something to be feared, although there would be occasions where officers needed to be held to account. He said that during draft agenda meetings and Chairman's Call Over, a decision would be made as to whether or not a person should be summoned to appear before the Committee. He agreed that there were occasions when calling a person to appear before the Committee was beneficial in terms of providing information and greater understanding of situations and circumstances. He said that he had worked with several council audit committees, and found that in his experience, Bromley Council's Audit Sub-Committee was very effective and struck the right balance between challenging and supporting officers and the audit process.

The Member responded that in his view, if officers were sloppy in dealing with P1 recommendations, then they should be asked to appear before the Committee.

A Member stated that there were occasions when the overlap between the Audit Sub-Committee and PDS Committees was confusing. He expressed the view that the Audit Sub-Committee should have a constructive role, rather than be a 'committee of Rottweilers'.

The Chairman said that each case was assessed on its merits, and people were called to appear when it was felt it was appropriate.

Internal Audit had undertaken an audit concerning the contract management of the **Council's IT Contractor** for the period 2018 to 2019. It was noted that three P3 recommendations had been made and that the overall audit opinion was '**Substantial**'.

The objective of the **Fostering** audit was to review controls in place for the assessment, placement review and payment procedures for in house and independent fostering. A Member commented that it was imperative that with respect of foster children, the correct data and information should be recorded. Concern and distress could be caused if information was not recorded correctly. He added that the Fostering and Adoption Panel went to great lengths to ensure that paperwork was correct. The overall audit opinion for the Fostering Service was '**Substantial**'.

Members noted that one of the objectives of the **Licensing** audit was to assess the controls around compliance with legal/regulatory requirements for Licensing. It was noted that the HMO (Houses of Multiple Occupation) Team were failing to notify the Council Tax section regarding HMO properties within the borough. A Member enquired if any feedback was provided from the Planning Department in cases where for example a property was being converted into a six bedroom HMO. The Head of Audit and Assurance stated that he would look into this and report back.

A Member referred to section 3.2.31 relating to Licensing, and the text that said that Licensing Officers sometimes had issues determining whether or not individual license fees had been received. He said that it was important that licensing payments were correctly recorded and that data was accurate. He asked the Head of Audit and Assurance if he was now confident that the matter had been resolved, as he was worried that payments may be going astray. The Head of Audit and Assurance responded that Internal Audit had provided the Licensing Team with a solution to deal with the matter. It was noted that the overall audit opinion for Licensing was '**Reasonable**'.

The Head of Audit and Assurance briefed the Committee regarding the audit of the **NRPF** (No Recourse to Public Funds) section, which was part of the Referral and Assessment Team. Members were concerned to note that the audit had resulted in a new P1 recommendation, along with five P2 recommendations.

It was explained that the objective of the audit was to review controls for the assessment and monitoring of NRPF cases, including payment procedures.

Consideration was also to be applied to the effectiveness of counter fraud initiatives (specifically referral to Greenwich Fraud Team) and data sharing with other boroughs. The review was limited to the NRPF service within the Children's Social Care Division.

The Head of Audit & Assurance provided a brief overview of how the NRPF service operated. There was a P1 recommendation relating to the procurement, contractual arrangements and cost of accommodation. The procurement of accommodation did not comply with Financial Regulations or Contract Procedure Rules. One provider had been used as the primary source of accommodation, but no consideration had been applied to the cumulative spend that was being accrued by using just this one provider. Savings could have been made if Housing had made the placements according to pan-London guidelines. This meant that for the period 2018 to 2019, LBB had incurred nearly £25k more in costs.

The Committee was apprised that at the time of the meeting, there were only 6 NRPF cases requiring temporary accommodation. A Member expressed concern that as there had been no contract and no purchase orders in place, the process was wide open to fraud and therefore needed to be tightened. It was suggested that the telephone calls should be recorded.

A Member asked that the context and often stressful circumstances involved in these instances be considered. It was often the case that a caseworker may be making a phone call late on a Friday evening trying urgently to secure accommodation for that night, and this could be very stressful.

It was noted that as part of the Transformation Programme, the Authority would be reviewing Housing Services. There would be scope to refer the accommodation element of the NRPF to Housing. This would be more cost effective and the providers being used by the Housing Department would be working to Service Level Agreements. The overall audit opinion for NRPF was '**Limited**'.

Members turned their attention to the audit review regarding the systems and processes in place for dealing with **Creditors**. They were concerned to note that the audit opinion was '**Limited**' and that there was a P1 recommendation that required immediate action. This was because appropriate bank mandate checks to prevent fraud were not in place and this represented an immediate risk to the Council. Other areas of concern that were identified included:

- Users being set up on the financial system without reference to the financial authority limits, and without the relevant documentation being completed
- Staff that had left the Council had not been removed from the signatory list
- Some purchase orders had been raised after invoices had been received for payment

Management had been instructed to implement the P1 recommendation immediately. A Member asked what was meant by 'immediately' and it was noted that this was as soon as the problem had been identified. The contractor was instructed to carry out additional checks before modifying bank details of creditors, by ringing the creditor directly, using contact details already held or independently obtained and checking if the communication that had been received to change the bank details was in fact correct.

Members were briefed regarding the audit of **Domiciliary Care Contract Management**. The report explained the difference between spot and framework contracts and it was noted that the P1 recommendation related to two contracts where services were being provided even though the contracts had expired. The overall audit opinion for the audit of Domiciliary Care Contract Management was '**Limited**'. A Member was dismayed to note that services could be provided where there was no contract in place. The Audit Team explained that contract extension letters had been sent out, but had not been returned and signed.

The report noted that there was a contract that was due to expire in August 2019, but there was no provision for an extension. A Member asked if this had now been resolved. The Head of Audit and Assurance said that he would investigate this and report back. He said that matters like this would most likely be noticed by the Procurement Team now that the Contracts Database was operational. A Member commented that it was staggering that simple checks were not in place. Another Member stated that the Financial Regulations said that a signed contract had to be in place, so this was a serious matter.

The Committee noted that the audit of **Direct Payments (Children)** was given an overall audit opinion of '**Reasonable**' and five P2 recommendations had been made and accepted by management. A Member asked for more information on what was being done to implement the audit recommendations for the Direct Payments (Children) Team. The Head of Audit and Assurance responded that about six months would be required before it would be reasonable to assess progress.

Members noted that the audit of **Extra Care Housing** had been assessed as '**Reasonable**', with one P2 recommendation and one P3 recommendation.

Members heard that an audit had taken place of **Riverside School** to examine the effectiveness of the control system relating to the school's financial administration. The audit had resulted in 5 P2 recommendations and 1 P3 recommendation, with an overall assurance rating of '**Reasonable**'.

Members were pleased to note that the **Post Implementation Review of the Libraries Contract** had provided assurance that the overall governance and management of the contract was going well and so the overall audit opinion was '**Substantial**'.

The Committee was disappointed to learn that the audit review of **Starters and Leavers** had revealed many areas where management attention was required. Resultantly, 1 P1, 4 P2 and 1 P3 recommendations had been made and all were accepted by management. The overall audit opinion was '**Limited**'.

With respect to the actioning of the various processes and procedures that should be undertaken when a Councillor or Officer left the authority, a discussion took place as to who should lead and take responsibility for this. It had been agreed that at the moment, it would be HR who would be leading. Some Members disagreed with this, and expressed the view that the process should be led by managers as it was the job of the manager to manage.

The Head of Audit and Assurance said that the current system, with HR leading, was meant to be a temporary arrangement until development work on the 'Sharepoint' system was completed. When this was finished, it was envisaged that Sharepoint would be able to send the appropriate notifications and information to all relevant sectors of the Council.

The Committee expressed surprise and concern that this matter had not been resolved because of the associated multiple security risks. They expressed the view that the issues should be dealt with as soon as possible as there could be serious implications for the Council. A Member said that he was shocked by the audit and that all IT access should be shut down immediately a person left the Council. Another Member suggested that the proper processes being implemented for starters and leavers by management should be part of managers' appraisals.

A Member stated that as the consensus of the Committee was that this was an urgent and serious matter, a referral should be made from the Audit Sub-Committee elsewhere for further discussion and action. Members discussed where the matter should be referred to and it was felt that the matter should probably be referred to the Chief Executive.

Members were informed that a **Workforce Planning** audit had been undertaken to assess current and future skills gaps. Some controls were in place and working well, but there were areas where management action was required. It was noted that the Council's HR strategy needed to be amended so that a process could be used to identify and measure success in workforce planning. There were 3 P2 recommendations and the overall audit opinion was '**Limited**'.

Members were briefed that the **Troubled Families** claim for September 2019 had been verified and that the total amount claimed or payment by results between 1st March 2019 and 30th September 2019 was £322,400.

The Head of Audit and Assurance briefed the Committee concerning the follow up audit of **Arboricultural Management**, as at the previous meeting of the Audit Sub-Committee, 4 P1 recommendations had been made, and the matter had been referred to the ECS PDS Committee. Some progress had

been made towards implementation of the recommendations, but several factors had hindered this, including the fact that 2/4 posts were still vacant.

The Head of Audit and Assurance was pleased to report that significant progress had been made regarding the **payment process**, as this had now been moved to the Performance and Business Support Team in line with other contracts. This P1 recommendation was considered as partially implemented.

Members were briefed around the matters relating to open orders and the Confirm system and noted that this recommendation would remain outstanding.

The Head of Audit and Assurance advised the Committee that the recommendation relating to the monitoring of the contract was now considered partially implemented as the Department had addressed the key issues such as the procedure notes and the completion of quality monitoring.

The recommendation relating to defaults remained outstanding as the defaults for the previous contract had not been collected. This was because the final invoice from which the defaults would be deducted had not yet been received.

Members were briefed that a new appointment into the service had been made during the week of the meeting, and that a consultant had been brought in to complete the 19/20 surveys. A Member raised the question as to why the Arboricultural Service had not been transferred over to the Business Management Support Team at the same time as the other Environmental Service contracts. The Head of Audit and Assurance explained that this was simply because the Business Management Support Team had focused initially on dealing with higher priority issues on significant contracts like the Waste Contract and the Street Cleaning Services Contract.

A Member asked the Head of Audit and Assurance if he was obligated to assume that LBB was a commissioning authority when internal audits were undertaken. The Head of Audit and Assurance responded that it was not appropriate for Internal Audit to question policy, however they were concerned with, amongst other things, working out the best ways for services to be delivered and could recommend that managers consider different delivery models if they might provide better value for money.

Members were updated regarding progress made in implementing the 3 P1 recommendations identified in the June report regarding the management of the **Adult Mental Health Contract**. The two recommendations relating to performance monitoring and management reports were now considered to be implemented. It was anticipated that the final sign off of the Deed of Variation of the contract would take place imminently. However, Internal Audit would not close the recommendation until it was evidenced that the document was signed.

Members noted that the implementation of the P1 recommendation for **Health and Safety** was in the process of being implemented. It was noted that the service had limited resources and responsibility for Health and Safety had now been transferred to Human Resources and Customer Services. They were identifying risks and developing the appropriate policies. A Member stated that LBB had to ensure that it was compliant under the Health and Safety Act, and that they were not running the risk of the Health and Safety Executive visiting the authority. The Head of Audit and Assurance said that he would follow up at the next meeting of the Corporate Health and Safety Group and report back to the Committee.

Members were briefed that with respect to the audit of **Leaving Care**, two P1 findings were in the process of being implemented but had not been closed off yet. The P1 update referred to a 'BOXI' report that had been developed to assist the Service. Members asked for more information regarding the nature of the 'BOXI' report, and the Audit Team agreed to investigate and report back.

Members were reminded that at the previous meeting of the Audit Sub-Committee, some progress had been made in dealing with 4 P1 recommendations relating to **Strategic Property**. Subsequently, (as reported in the Internal Audit Progress report), management advised that progress had been made and provided some comments and information.

However, Internal Audit concluded that insufficient evidence currently existed to close off the recommendations. Internal Audit had requested additional information and proposed to undertake further verification checks; they would then report back to the Committee.

Members discussed whether or not it would be appropriate to ask either the Director of Housing or the Head of Asset and Investment Management to attend the Committee. A Member advised that he was a member of a working group that had been looking at these issues for the ER&C (Executive, Resources and Contracts) Committee. He said that at a previous ER&C meeting a line of reporting on this matter had been agreed. He therefore suggested that Members wait and see what was reported to ER&C at its November meeting. The Committee agreed to do this.

A Member referred to section 3.3.46 of the update which referenced the proposed £1m Income Generation Plan. He asked if some firm figures could be provided to the Committee, as the money was incorporated as part of the Council's Financial Strategy. The Head of Audit and Assurance replied that finance was currently reviewing the 'new income' figures identified by the contractor to establish that the income identified as 'new' was classified correctly.

Regarding the payment procedure for the new **Street Cleaning Contract**, this was being reviewed by Internal Audit and the Head of Performance Management and Business Support. Internal Audit would report back once verification checks had been undertaken.

The Committee noted the latest **Departmental and Corporate Risk Registers**. It was further noted that subsequent to the meeting of the Audit Sub Committee on 4th June 2019, a key amendment had been made to the Corporate Risk Register. An additional risk had been added which was the possible failure to deliver the Bromley Transformation Programme.

The Committee discussed the problems associated with the objections that had been received to the Authority's accounts since 2016. The objections had been received from the same objector. A Member raised the possibility that the objections could be classed as vexatious, and asked if the External Auditors may come to a similar conclusion. It was pointed out that the External Auditors would consider the questions raised objectively starting with the earliest years first and decide which ones could be considered as an objection to the accounts, and which ones were questions which would not be relevant to the accounts. The ones which could be considered to be objections would be subject to further investigation.

A Member stated that the matter was damaging to the Council's reputation and steps should now be taken to resolve the matter urgently.

RESOLVED that

- 1) The Internal Audit Progress report is noted.**
- 2) The Internal Audit reports published on the web are noted.**
- 3) The latest position regarding the Council's Departmental and Corporate Risk Registers is noted**
- 4) The list of waivers sought since June 2019 is noted.**
- 5) The Head of Audit and Assurance would investigate if any information was provided to the Licensing Team from the Planning Department in cases where planning permission was requested for a multiple bedroom property**
- 6) The Head of Audit and Assurance would investigate if a contract extension had been agreed for the Domiciliary Care Contract and report back to the Committee**
- 7) The risks identified in the audit of Starters and Leavers is referred for the attention of the Chief Executive.**
- 8) The Head of Audit and Assurance would (at the next meeting of the Corporate Health and Safety Group) check for full compliance with the Health and Safety Act and report back to the Committee**

9) The Audit Team would (with respect of the Leaving Care Audit) provide further information to the Committee regarding the nature of the 'BOXI' report.

10) Members would wait for the update on Strategic Property being provided to the ER&C Committee in November, before deciding whether or not any officers should be asked to attend the Audit Sub-Committee

11) An update is provided to the Committee regarding the £1m Income Generation Plan. This should include some firm figures concerning any income that has been generated.

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

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

23 INTERNAL AUDIT FRAUD AND INVESTIGATION REPORT

The Internal Audit Fraud and Investigation report provided an overview of Counter Fraud work in 2019/20. It also informed Members of recent activity on fraud and investigations across the Council and provides updates on matters arising from previous Audit Sub Committee meetings. The report detailed updates on previous reported cases, expanded on new cases of interest and detailed cases on the fraud risk register.

As the report was a Part 2 item, the full minutes for this report are noted in the Part 2 minutes.

24 EXEMPT MINUTES OF THE MEETING HELD ON 4th JUNE 2019

The exempt minutes of the meeting held on 4th June 2019 were agreed and signed as a correct record.

The meeting ended at 9.48 pm

Chairman