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DATE: 28 May 2019

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

**Meeting to be held on Tuesday 4 June 2019**

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

The Briefing comprises:

- 1 REVIEW OF THE TROUBLED FAMILIES CLAIM--1ST OCTOBER 2018 TO 31ST MARCH 2019 (Pages 3 - 6)**
- 2 HOUSING BENEFIT AND COUNCIL TAX REDUCTION SCHEME (Pages 7 - 14)**
- 3 REVIEW OF THE STRATEGIC COMMISSIONING AUDIT (Pages 15 - 22)**
- 4 REVIEW OF THE ADULT'S SOCIAL CARE (ASC) BUDGET MANAGEMENT FOR 2018--2019 (Pages 23 - 30)**
- 5 REVIEW OF THE CHILDREN'S SOCIAL CARE BUDGET MANAGEMENT--2018--2019 (Pages 31 - 38)**
- 6 REVIEW OF RESIDENTIAL CARE AUDIT FOR 2018-2019 (Pages 39 - 48)**
- 7 REVIEW OF THE FINANCIAL STRATEGY AND BUDGET COMPLIANCE FOR 2018-2019 (Pages 49 - 58)**
- 8 INTERNAL AUDIT OF TREASURY MANAGEMENT (Pages 59 - 64)**
- 9 REVIEW OF ARBORICULTURAL SERVICES AUDIT FOR 2018-2019 (Pages 65 - 116)**
- 10 TFM (Pages 117 - 138)**
- 11 REVIEW OF TRAFFIC AND ROAD SAFETY PROCUREMENT AUDIT FOR 2018-2019 (Pages 139 - 148)**

**12 FINAL INTERNAL AUDIT REPORT--PAYROLL EXPENSES--2018-2019** (Pages 149 - 158)

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

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

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

**INTERNAL AUDIT FINAL REPORT**  
**EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT**

**INTERNAL AUDIT REVIEW OF THE TROUBLED FAMILIES CLAIM  
FOR THE PERIOD 1 OCTOBER 2018 TO 31 MARCH 2019**

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

**Cc** Janet Bailey, Interim Director of Children's Services (final report only)  
David Bradshaw, Head of Finance, ECHS (final report only)  
Head of Audit

**Prepared by:** Principal Auditor

**Date of Issue:** 13 May 2019

**Audit ref:** ECHS/14/2018/AU

## **INTRODUCTION**

1. This report sets out the results of our audit testing of a sample of individual claims for the claim period between 1 October 2018 and 31 March 2019.
2. We have agreed with the Early Intervention and Family Support Team that checks on a sample of individual claims will be carried out every six months, in September and March of each financial year. These compliance checks seek to confirm that the sample of individual claims to be submitted at the end of those periods meet the employment or significant and sustained progress criteria, enabling a claim to be made.
3. The Financial Framework for the Troubled Families Programme issued in January 2018 by the Department for Communities and Local Government (now the Ministry of Housing, Communities and Local Government) sets out the 'Principles for Internal Audit'. Following these principles, we selected a sample of 10% of claims submitted for the six month period ending 31 March 2019. This was to ensure continuity of testing from the previous claim period.

## **METHODOLOGY**

4. There were 426 individual claims closed between 1 October 2018 and 31 March 2019. This represented a significant increase in individual claims from previous years. It resulted from analysis of CareFirst by the Multi-Agency Safeguarding Hub Team Manager and the Bromley Children Project Intelligence and Operations Co-Ordinator to identify Children's Social Care cases recorded on CareFirst within the past two years and which had been finalised and met the necessary employment or significant and sustained criteria. Therefore, our 10% sample for checking consisted of 43 claims. 10 of the claims examined were where a client had gained employment, enabling a claim to be made. The other 33 claims in our sample were where the Early Intervention and Family Support Team considered that the national and/or local criteria as set out in the London Borough of Bromley's Outcome Plan had been met and significant and sustained progress had been made, resulting in the family no longer being attached to the programme.

## **SUMMARY OF FINDINGS**

5. Our review of these claims found that the 10 employment claims met the relevant criteria for a claim to be made and the 33 other claims showed evidence that significant and sustained progress had been made. We also confirmed that these families had not been claimed for previously under the Troubled Families programme.

6. We also confirmed that the total amount claimed for payment by results for the 426 individual claims submitted between the period 1 October 2018 and 31 March 2019 was £340,800. As a result of our testing there are no significant findings and there are no recommendations arising from this review.
7. Finally, we would like to thank all the staff contacted during this review for their help and co-operation.

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

**INTERNAL AUDIT OF THE HOUSING BENEFIT AND COUNCIL TAX REDUCTION SCHEME**

**Issued to:** John Nightingale, Head of Revenues & Benefit,

**Cc:** Peter Turner, Director of Finance  
Claudine Douglas-Brown, Assistant Director of Exchequer Services  
Trevor Clinch, Senior Accountant  
Jayne Carpenter, Benefits Operations Manager

**Prepared by:** Internal Auditor (Audit contractor on behalf of London Borough of Bromley)

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

**Date of Issue:** 11 April 2019

**Report No.:** CEX/10/2018/AU

## REVIEW OF THE HOUSING BENEFIT AND COUNCIL TAX REDUCTION SCHEME FOR 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Housing Benefit and Council Tax Reduction Scheme for 2018-19. The audit was carried out in quarter 4 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 Benefits Service Monitoring Report went to the Executive on 5 July 2018 and provided an update on Universal Credit. The Universal Credit 'Full Service' started in the Authority on 25 July 2018. As a result, from that date onwards the majority of working age claimants commencing a claim for assistance with their rent have received Universal Credit rather than Housing Benefit. Existing working age Housing Benefit recipients will transfer over to Universal Credit on a change in their circumstances.
4. The Council uses ANITE to electronically store documentation.

### AUDIT SCOPE

5. The scope of the audit was detailed in the Terms of Reference issued on 27 November 2018.

### 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.

## REVIEW OF THE HOUSING BENEFIT AND COUNCIL TAX REDUCTION SCHEME FOR 2018-19

### MANAGEMENT SUMMARY

7. Controls noted to be in place and working well, based on the sample testing conducted, included:
- All new housing benefit (HB) applicants had been assessed along with relevant supporting information and had met the eligibility criteria for receiving HB as outlined on the government website.
  - Monthly HB reconciliations between ANITE and Oracle (rents) and Academy and Oracle (Payments) produced by the Exchequer contractor were evidenced as reviewed and signed off by separate officers.
  - HB payments were stopped after the two week transitional period as required in accordance with The Universal Credit (Transitional Provisions) Regulations 2014 regulation 8.
  - A weekly report was run to identify unreconciled items for HB payments.
  - Discretionary Housing Payments (DHP) had supporting documentation to support the payments made for the sample of 20 payments tested, which were all in line with the eligibility criteria outlined in the Authority's DHP policy notes.
  - Both eligible and ineligible council tax reduction support claimants were notified via letter, once a decision has been made on their claim. The entitlement amount displayed in the letter matched the payment made on Academy for the sample of 20 claimants tested.
  - Self-employed claimants were reviewed every 12 months to identify a change in circumstances as per the Department of Work and Pensions (DWP) requirement.
  - There was a "clawback" overpayment recovery system in place to recover any overpayments.

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

- In one instance out of a sample of 20 tested, the Authority was found not to be compliant with the DWP's three month appeal decision timeframe.
- Housing Accommodation Charges reconciliations are not reviewed in a timely manner.

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

REVIEW OF THE HOUSING BENEFIT AND COUNCIL TAX REDUCTION SCHEME FOR 2018-19

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1.	<p><b><u>DWP Three Month Appeal Decision Timeframe</u></b></p> <p>The DWP suggest a three month timeframe for an HB appeal decision from the time the claimant makes the appeal, to the decision being made.</p> <p>Examination of twenty appeals made since April 2018 identified one instance (12057314) in which the DWP timeframe was exceeded.</p> <ul style="list-style-type: none"> <li>For appeal 12057314, a decision was made 14 days after the three month target.</li> </ul>	<p>Where appeal decisions are not made within the three month timeframe in line with the DWP guidelines, there is a risk that arrears increase and may be more difficult to recover.</p>	<p>Appeals should be regularly monitored and, where appropriate, actions taken to help ensure that the three month deadline is met.</p> <p><b>(Priority 2)</b></p>
2.	<p><b><u>Reconciliation Reviews</u></b></p> <p>Once produced by the Exchequer Contractor, reconciliations are required to be reviewed by a member of the Authority’s Accountancy Team and, if any arise, issues are then relayed back to the Exchequer Contractor to be rectified.</p> <p>Reconciliations should be reviewed shortly after these are produced to help ensure that issues are rectified in a timely manner.</p>	<p>Where reconciliations are not reviewed in timely manner, there is a risk that non reconciling items are not identified in a timely manner and suitably investigated.</p>	<p>The Housing Accommodation Charges reconciliations should be reviewed in a timely manner by a suitable member of staff.</p> <p><b>(Priority 3)</b></p>

Project Code: CEX/10/2018/AU

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

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

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

**REVIEW OF THE HOUSING BENEFIT AND COUNCIL TAX REDUCTION SCHEME FOR 2018-19**

**DETAILED FINDINGS**

**APPENDIX A**

No.	Findings	Risk	Recommendation
	<p>Discussion with the Senior Accountant established that the quarter three Housing Accommodation Charges reconciliation had not yet been reviewed due to staff shortages. The quarter three reconciliation was yet to be reviewed as of 1 March 2019.</p> <p>We were advised that a new officer was due to be in post by 4 March 2019 and that this would be one of their roles.</p>		

Project Code: CEX/10/2018/AU

**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.	Appeals should be regularly monitored and, where appropriate, actions taken to help ensure that the three month deadline is met.	2*	Agreed.	Benefits Operations Manager	Ongoing
2.	The Housing Accommodation Charges reconciliations should be reviewed in a timely manner by a suitable member of staff.	3	A new officer started at the beginning of March 2019 and has been given the role of reviewing reconciliations.	Senior Accountant	Immediate

Project Code: CEX/10/2018/AU

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

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

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

## OPINION DEFINITIONS

## APPENDIX C

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

### **Assurance Level**

### **Definition**

Full Assurance

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

Substantial Assurance

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

Limited Assurance

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

No Assurance

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

## FINAL INTERNAL AUDIT REPORT

### REVIEW OF STRATEGIC COMMISSIONING AUDIT FOR 2018-19

**Issued to:** Laurence Downes, Assistant Director, Governance and Contracts

**Cc:** Ade Adetosoye OBE, Interim Chief Executive  
**(Final only)** Mark Bowen, Director of Corporate Services

**Prepared by:** Principal Auditor

**Date of Issue:** 12<sup>th</sup> April 2019

**Report No:** CORP/02/2018/AU

## REVIEW OF STRATEGIC COMMISSIONING AUDIT 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Strategic Commissioning. The audit was carried out in quarter four 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 20<sup>th</sup> February 2019.

### AUDIT OPINION

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

### MANAGEMENT SUMMARY

5. The London Borough of Bromley has been commissioning services since the 1980's, seeking both to improve outcomes in the most efficient, effective, equitable and sustainable way and utilising the best delivery model in terms of quality and price.

## REVIEW OF STRATEGIC COMMISSIONING AUDIT 2018-19

6. The 2017/18 Annual Governance Statement identified Contract Management and specifically 'the need for strengthened control and management oversight' as a Significant Governance Issue. The output of this audit will, therefore, be considered when developing the 2018/19 Annual Governance Statement.
7. This audit focused on the 'risk causes and effects' reflected in the Commissioning department's December 2018 Risk Register. For the majority of the time period reviewed, oversight of all commissioning activity across the Council formed part of the Commissioning Board's Terms of Reference, although this Board ceased to operate from 29th October 2018. Subsequent to this date, reports concerning contract actions were reviewed by the Assistant Director, Governance and Contracts until the inception of the Procurement Board, which formally replaced the Commissioning Board, in March 2019. The arrangements for the Procurement Board are now finalised and will be implemented immediately, with communications to be issued to all staff by the Assistant Director of Governance and Contracts in April 2019. The Board will oversee Council procurement and contract management, providing assurance of compliance with best practice, relevant procurement legislation, and the Council's Financial Regulations and Contract Procedure rules. It will ensure Value for Money and a strategic, unified and consistent approach to Council procurement. The Board will also review Transformation proposals as required, as referred by the Interim Chief Executive.
8. Operational implementation of the Commissioning and Procurement policies, procedures and training in place, together with adherence to the authorisation requirements, will be tested, where appropriate, as detailed in the Internal Audit Plan for 2019/20.
9. Controls were in place and working well in the areas of:-
  - The 'OneBromley' Managers' Toolkit, available to all staff, contains a section on Procurement which is the primary repository for guidance notes and templates to support staff through the Commissioning and Procurement process.
  - In August 2017, a programme of mandatory training (four modules) was announced for commissioners of services. The programme has subsequently increased to five modules with the first suite of training now complete and the sessions being repeated during the first half of 2019. Subsequent to the Local Elections in May 2018, a suite of training was delivered to both returning and new Members.

## REVIEW OF STRATEGIC COMMISSIONING AUDIT 2018-19

- In line with the contract reporting cycle, the Contracts Sub-Committee receives an extract of the £200k+ whole life value contracts to ensure that commissioning and procurement activity is progressed in a consistent manner. Individual Policy, Development and Scrutiny committees receive details of all contracts within their remit of £50k and above.
- During quarter three of 2018/19, the Assistant Director, Governance and Contracts initiated 'Practice notes' which were issued to all contract owners, approvers and associated staff reinforcing Contract Procedure rules and reiterating the process to be followed for contract documents, the Contracts database and contract monitoring reports. Additional reminders have been issued to contract owners reiterating requirements such as keeping the Contracts database up to date. As at 6<sup>th</sup> February 2019, the suite consisted of four Practice notes and further Practice notes will be issued as and when required.
- In January 2019, a 'Check and Challenge' review of the Commissioning department's Risk Register was undertaken by Zurich, the Local Authority's Insurer and the Assistant Director, Governance and Contracts. As a result of the strengthened controls in place for the 'Effective governance and management of contracts' risk, the current (net) risk rating was reduced from 'Likely' to 'Possible' which in turn reduced the overall net risk rating from 'High' (red) to 'Significant' (amber).

10. Our testing identified the following issue which we would like to draw to management's attention:-

### **Commissioning and Contracts mandatory training**

- From a sample of six reports with procurement/commissioning implications presented to the Executive in November 2018, two of the service commissioners, whilst having been identified, and notified, in August 2017 of the requirement to complete the mandatory Commissioning and Contracts training, were not recorded as having attended any of the modules.

## REVIEW OF STRATEGIC COMMISSIONING AUDIT 2018-19

### SIGNIFICANT FINDINGS (PRIORITY 1)

11. There are no significant findings.

### 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.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p><b>Commissioning and Contracts mandatory training</b>                      From a sample of six reports with procurement/commissioning implications presented to the Executive in November 2018, two of the service commissioners, whilst having been identified, and notified, in August 2017 of the requirement to complete the mandatory Commissioning and Contracts training, were not recorded as having attended any of the modules.</p>	<p>Without having undertaken the mandatory training, staff may not:-</p> <ul style="list-style-type: none"> <li>i) have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities</li> <li>ii) act in line with the current Commissioning and Procurement guidelines</li> </ul>	<p><b>All officers identified, through their role as a commissioner of services, as being required to complete the mandatory Commissioning and Contracts Training, must attend all modules.</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>Commissioning and Contracts mandatory training</b> All officers identified, through their role as a commissioner of services, as being required to complete the mandatory Commissioning and Contracts Training, must attend all modules.</p>	2	<p>It is the responsibility of Contract Owners to ensure attendance at mandatory training sessions, with any issues of compliance to be referred to their line manager for action as appropriate.</p> <p>The second round of Commissioning and Contract Training will conclude in April 2019. A third round of Training has been timetabled to commence in late 2019, primarily to cover new staff or staff with new contract owner responsibilities. Any existing Contract Owners who have yet to attend will be identified, based on HR records of attendance to date, and will be invited to participate in these sessions.</p> <p>Non-attendance will be notified to their line manager for action.</p>	<p>Contract Owners and their line managers.</p> <p>Assistant Director Governance &amp; Contracts</p>	<p><b>September 2019</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

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**  
**EDUCATION, HEALTH AND CARE SERVICES (ECHS)**

**REVIEW OF THE ADULT'S SOCIAL CARE (ASC) BUDGET MANAGEMENT 2018-19**

**Issued to:** Peter Turner, Director of Finance  
Kim Carey, Interim Director of Adult Social Care  
Naheed Chaudhry, Assistant Director, Strategy, Performance and Business Support  
James Mullender, Head of Finance Adult Social Care, Health and Housing

**Prepared by:** Senior Internal Auditor  
**Date of Issue:** 9th May 2019  
**Report No.:** ECHS/04/2018/AU

## REVIEW OF ADULT'S SOCIAL CARE (ASC) BUDGET 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of the ASC Budget Management 2018-19. The audit was carried out in Quarter 3 and 4 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 scope of the audit was outlined in the Terms of Reference issued in July 2018.
4. It should be noted that the Authority as a whole does not currently carry any debt. This has been achieved through retaining previous years' collection fund surpluses (totalling £5.7m by the end of 2018/19), which is normally credited to revenue budgets, as well as operating a financial management and risk reserve of £10m which can support any planned transition in delivering significant savings to help meet the budget gap. Both are included within earmarked reserves.

### 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.

## REVIEW OF ADULT'S SOCIAL CARE (ASC) BUDGET 2018-19

### MANAGEMENT SUMMARY

7. Controls noted to be in place and working well, based on the testing conducted, included:
- Quarterly budget monitoring meetings were held in addition to bi-monthly meetings for discussions regarding main cost drivers (such as placements). It was evident that high level monitoring reports had been used to track activity.
  - Anticipated shortfalls were identified prior to the financial year commencing, via the budget setting process. As part of the budget setting process, savings and growth were identified and considered, although it was noted that ASC costings were largely demand-led (which inherently increases the difficulty to which budgets can be set, especially in an area of complex and ever-changing demand).
  - Areas within ASC looked at potential ways of suppressing demand and costs. Due to the acknowledgement of demand and fact that ASC delivered greater savings a few years previously (£10m in 2016/17 for example), not as many savings had been realised recently. However, it was advised that the Council will soon be going through a wider transformational review in 2019/20.
  - Budget monitoring summaries had been reported to Members whereby key budgets were also discussed and any overspends and variances highlighted as necessary. Included in this were two identified management actions (under Assessment & Care Management Services for 65+, and Learning Disabilities), which were being projected during the year to mitigate any overspends. These were reduced as they were achieved and/or there was less time to achieve them. The 2019/20 Budget, which included various growth items across ECHS, had various savings / mitigation items included as well, and these were further included for future years (within the Four Year Financial Forecast).
  - There were a number of cost pressures on the ASC budget, which could have resulted in variances being realised. In response, the Council had enacted various recruitment drives and retention packages. This included the appointment of newly qualified staff and engagement with government funded schools to help attract people to train to become social workers (which had also seen some success).

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

- Areas of good practices identified from the 'Invest to Save' Scheme were advised not to have been fully embedded into the service.

## REVIEW OF ADULT'S SOCIAL CARE (ASC) BUDGET 2018-19

### SIGNIFICANT FINDINGS (PRIORITY 1)

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

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

### ACKNOWLEDGEMENT

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

REVIEW OF ADULT’S SOCIAL CARE (ASC) BUDGET 2018-19

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1.	<p><b><u>Invest To Save</u></b></p> <p>An Invest to Save Team was formerly established to run the Council’s Invest to Save Scheme. This scheme covered the Learning and Disability service specifically and was used only for a set period of time to reassess care packages for adults in order to verify if they were appropriate for their needs. The scheme started in 2015/16 and ended on 30<sup>th</sup> September 2018 having achieved savings of £2.7 million; the cost of the scheme was £630K. It was originally anticipated that further savings would be achieved; however, this was advised to have been impacted by reduced capacity in the Learning Disability service. The minutes of the ASC Budget Monitoring meeting of 7<sup>th</sup> February 2019 documented that good practices had not been embedded into the Team:-</p> <p><i>‘Invest to Save Team ceased on 30<sup>th</sup> September. Good practice hasn’t really been embedded in the team. It was felt that there was potential for further ongoing savings to be delivered, which is hampered by a lack of capacity. There should be regular / more frequent reviews of transition cases to ensure appropriate levels of care are being provided’</i></p>	<p>Where good practices from schemes are not embedded into services there is an increased risk that any savings may only be one-off and therefore non recurrent. This could result in total expected savings not being achieved for ASC. It may also contribute to the overall Council budget (not just for ASC) failing to be achieved.</p>	<p>The Council should look to fully implement the control measure which it identified internally to be required i.e. requiring more regular / frequent reviews of transition cases to ensure appropriate levels of care are being provided.</p> <p>To help ensure that areas of good practice can be fully embedded into the activity of services, it is advised that ASC conduct a lessons learned exercise (using Invest to Save as the example), and share the results.</p> <p><b>(Priority 2)</b></p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1.	<p>The Council should look to fully implement the control measure which it identified internally to be required i.e. requiring more regular / frequent reviews of transition cases to ensure appropriate levels of care are being provided.</p> <p>To help ensure that areas of good practice can be fully embedded into the activity of services, it is advised that ASC conduct a lessons learned exercise (using Invest to Save as the example), and share the results.</p>	2	<p>Robust monitoring is in place for all Adult Social Care services with weekly performance reports; this includes reviews for Learning Disabilities clients. The performance reports are passed to the Portfolio Holder fortnightly.</p> <p>The Director of ASC will meet with all Heads of Service bimonthly to consider performance and share best practice.</p>	<p>Director of ASC</p> <p>Director of ASC</p>	<p>Completed</p> <p>Completed</p>

## OPINION DEFINITIONS

## APPENDIX C

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

### **Assurance Level**

### **Definition**

Full Assurance

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

Substantial Assurance

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

Limited Assurance

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

No Assurance

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

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**FINAL INTERNAL AUDIT REPORT**

**EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT**

**REVIEW OF THE CHILDREN'S SOCIAL CARE BUDGET MANAGEMENT 2018-19**

**Issued to:** Peter Turner, Director of Finance  
Janet Bailey, Interim Director of Children's Services  
Naheed Chaudhry, Assistant Director, Strategy, Performance and Business Support  
David Bradshaw, Head of Finance Education, Care and Health Services

**Cc:** Gillian Palmer, Interim Executive Director of ECHS (Final Only)

**Prepared by:** Senior Internal Auditor

**Date of Issue:** 29<sup>th</sup> April 2019

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

## REVIEW OF CHILDREN'S SOCIAL CARE BUDGET 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of The Children's Social Care (CSC) Budget Management 2018-19. The audit was carried out in Quarter 3 and 4 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 scope of the audit was outlined in the Terms of Reference issued in July 2018.
4. The Employee Budget Monitoring (EBM) system is the system used to record staffing costs for Children's Services. The source data for EBM is pulled through from a combination of Oracle General Ledger, Resource Link (Payroll system) and information from the Council's agency staff contractor. This process is managed by the Financial Systems Team.

### 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.

## REVIEW OF CHILDREN'S SOCIAL CARE BUDGET 2018-19

### MANAGEMENT SUMMARY

7. Controls noted to be in place and working well, based on the testing conducted, included:
- Cost drivers were identified and were evidenced as being monitored on at least a quarterly basis.
  - Quarterly monitoring reports had detailed explanations of any over or underspend. The December (Q3) budget monitoring reporting showed that explanations / meeting notes were included, helping to clearly explain any variances.
  - Budgetary shortfalls had been identified via the above mentioned regular monitoring. For example, agency costs were expected to have an overspend of £1m in 2018/19. However, in order help mitigate this issue, actions had been proactively taken by the Director of Childrens Services to look at options such as hiring newly qualified staff (at a lower cost) and offering incentive options for more experienced social workers to join the Bromley's payroll instead of working via an agency (which results in a higher cost to the Council). In the 2019/20 budget, funding had been set aside to increase pay and incentives and this was expected to be rolled out from April 2019.
  - CSC service provision was demand led and dependent on the number of child cases the Council had in the Borough. The Council therefore had to predict these numbers as a base. The Head of Finance, Education, Care and Health Services verified that this was achieved by the service using information taken from data analysis (held within the Strategy Team) together with management knowledge and experience. This will always only be an estimate and the Council had seen spikes in the past, for example, very expensive placements emerging due to families moving into the area, and/or through lack of supply.
  - It was confirmed that Budget Managers had access to EBM. This tracked expenditure on staffing and a monthly sign-off process was in place which enabled such managers to own the budget monitoring process by acknowledging their awareness of what was going through their cost centres.
  - As part of a Council wide plan a Transformation Programme had been set up with six work streams including Children's Services and Education which will examine Council delivered services and what they may look like in future. This is part of the overall position of trying to recover £31m (which was the predicted deficit in four to five years' time).
  - Budgetary scrutiny was achieved at departmental level first, before being considered by the Policy Development and Scrutiny (PDS) Committee, and ultimately onto the Executive. This happened in quarterly cycles. The Director of Finance also provided regular updates to Chief Officers on the overall strategic position.

## REVIEW OF CHILDREN'S SOCIAL CARE BUDGET 2018-19

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

- It is unclear as to whether all of the identified mitigation predications are achievable and based on realistic / justifiable assumptions.

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

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

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

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

### **ACKNOWLEDGEMENT**

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

No.	Findings	Risk	Recommendation
1.	<p><b><u>Growth and Mitigation</u></b></p> <p>Growth within a budget identifies areas where it is predicted that there will be greater activity of a particular element in the future. Mitigation identifies areas where savings can potentially be made. The Children’s Social Care Growth and Mitigation spreadsheet was obtained and detailed the following:</p> <ul style="list-style-type: none"> <li>- Growth (specifically for placements) would be £4,049k, which would net, after mitigation, to £3,149k. There were two areas of ‘mitigation’ identified. However, in one of these cases it could not be evidenced as to how realistic the assumptions were and on what basis the figure had been calculated. The figure was advised to be highly dependent on creating a fostering provision which would generate £400k. Management agreed that this was a more challenging estimation which had been less evidenced than other expected mitigations.</li> </ul>	<p>Where identified mitigation predictions do not appear realistic or are not based on justifiable and evidenced assumptions, there is an increased risk that growth may occur but cannot be offset to the level required in order that the Council is able to fulfil its statutory duties to the standard expected.</p>	<p>All mitigation streams should be clearly documented and supported by evidence / workings to help confirm and substantiate on what basis they have been calculated. Such figures can then more easily be subject to management scrutiny and challenge to help ensure that they are achievable in reality.</p> <p><b>(Priority 2)</b></p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	All mitigation streams should be clearly documented and supported by evidence / workings to help confirm and substantiate on what basis they have been calculated. Such figures can then more easily be subject to management scrutiny and challenge to help ensure that they are achievable in reality.	2	Agreed, in future all mitigation will be fully evidenced.	Head of Finance	From the next time this is reported.

## OPINION DEFINITIONS

## APPENDIX C

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

### **Assurance Level**

### **Definition**

Full Assurance

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

Substantial Assurance

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

Limited Assurance

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

No Assurance

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

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

**REVIEW OF RESIDENTIAL CARE AUDIT FOR 2018-19**

**Issued to:** Tricia Wennell, Head of Assessment & Care Management,  
Stephen John, Director of Adult Social Care,  
Ruth Wood, Head of Service, Placements and Brokerage,  
James Mullender, Head of Finance, Adult Social Care Health & Housing,  
Claudine Douglas Brown, Assistant Director, Exchequer Services.  
Naheed Chaudhry, Assistant Director, Strategy, Performance & Engagement,

**Cc** Gillian Palmer, Interim Executive Director of ECHS, (Final Only),

**Prepared by:** Principal Auditor

**Date of Issue:** March 6<sup>th</sup> 2019

**Report No:** ECHS/6/2018/AU

## REVIEW OF RESIDENTIAL CARE AUDIT FOR 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Residential Care 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 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 placement budget for residential and nursing care is split by primary support reason such as Memory & Cognition, Physical Support, Sensory Support for the age groups 18-64 and 65+. For 2017-18, the outturn was £12,265,803 and for 2018-19 the budget monitoring as at September 2018 was £6,056,617 including emergency placements. This does not include mental health and learning disabilities placements.
4. This audit was completed in conjunction with the Nursing Care Audit for 2018-19.

### AUDIT SCOPE

5. The scope of the audit was outlined in the Terms of Reference issued on 12/9/18.

### 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.

## REVIEW OF RESIDENTIAL CARE AUDIT FOR 2018-19

### MANAGEMENT SUMMARY

7. Our testing identified the following issues which we would like to draw to management's attention:-
- Negotiations with providers regarding the weekly placement fee are not documented to confirm exactly what is included within the fee and there is no set process.
  - Data had been incorrectly classified as emergency placements but has since been addressed. Emergency placement procedures needed to be reviewed.

### SIGNIFICANT FINDINGS (PRIORITY 1)

8. None.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

### ACKNOWLEDGEMENT

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p><b><u>Residential Weekly Care Fee</u></b></p> <p>When a placement is sought for a service user, the Auditor was advised that the placement officers work within the ceiling rates and all placements are negotiated.</p> <p>Enquiries were made whether the negotiation process is documented and the Head of Brokerage and Placements advised that the negotiation of the fee is largely verbal discussions and there is not a set process in place. The Auditor was advised that the fee confirmation form is retained and held on Carestore.</p> <p>The cost of the placement may be higher than the ceiling rate limits if it is not possible to place the service user possibly due to the needs being too high. On this basis, where additional costs are requested from providers the breakdown of the support to be provided should be broken down alongside the costs.</p> <p>The fee confirmation form does not currently include a breakdown of the support and the associated costs.</p>	<p>Lack of clarity in the fee confirmation form may cause possible disputes.</p>	<p><b>Negotiations with providers should be fully documented to ensure that the individual needs of the service users are clearly documented so that there is a breakdown of the financial support and the associated costs.</b></p> <p><b>[Priority 2]</b></p>

Page 42

Project Code: ECHS/6/2018/AU

**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><u>Emergency Placements</u></b></p> <p>A copy of the Emergency Placement procedures were provided to the Auditor. The document is undated and has no review date.</p> <p>The Auditor was informed that the data in relation to emergency placements had not been necessarily correct previously due to the wrong classifications assigned to some service agreements and should now show as temporary placements instead and was from September 2017.</p> <p>Internal Audit was informed that a Carefirst BOXI report is run monthly to monitor the emergency placements as the costs of the placements by their nature can be at a higher cost.</p> <p>Copies of the reports were requested for April 2018, August 2018 and October 2018.</p> <p>The following issues arose :-</p> <ul style="list-style-type: none"> <li>• The August file only contains two individual weeks and not the full month of data.</li> <li>• The placement with the highest number of days in</li> </ul>	<p>Higher cost emergency placements continue to be funded instead of a more cost effective long term residential placement having budget implications.</p> <p>Monitoring reports are not fully complete.</p>	<p><b>Emergency placements should be regularly monitored to ensure that an alternative, more cost effective placement can be sought where possible.</b></p> <p><b>Emergency placement procedures should be dated, fully reviewed, and include a review date.</b></p>

Project Code: ECHS/6/2018/AU

**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>emergency placements was 742 days.</p>	<p>Not all support needs are included within the agreed weekly cost.</p>	<p><b>It should be documented why placements are in excess of the ceiling rates. Additional needs should be detailed to ensure that the weekly fee includes all relevant agreed support.</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	<b>Residential Weekly Care Fee Negotiations with providers should be fully documented to ensure that the individual needs of the service users are clearly documented so that there is a breakdown of the financial support and the associated costs.</b>	2	A new form was implemented last year which is sent to all providers who quote for costs above either host authority or LBB ceiling rates so that they can identify what needs are “exceptional” and the costs associated. As this was only introduced in latter part of 2018 not all sampled clients would have an associated form.	Head of Service, Placements and Brokerage.	Immediate.

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

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

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

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	<p><b><u>Emergency Placements</u></b>  <b>Emergency placements should be regularly monitored to ensure that an alternative, more cost effective placement can be sought where possible.</b></p> <p><b>Emergency placement procedures should be dated, fully reviewed, and include a review date.</b></p> <p><b>It should be documented why placements are in excess of the ceiling rates. Additional needs should be detailed to ensure that the weekly fee includes all relevant agreed support.</b></p>	2	<p>Emergency placements are generally charged at a slightly higher rate as the provider is accepting a client usually without the opportunity to assess and on same day so may incur additional costs in relation to meeting the client's needs.</p> <p>A dedicated Team Leader in Assessment and Care Management monitors the report weekly. The prices for Emergency Placements are negotiated by CPT who approach ACS management for a decision on the level of funding. The Team Leader checks the information and follows up with the other Team Leaders and the allocated worker to ensure the</p>	<p>N/A</p> <p>Head of Assessment &amp; Care Management.</p>	<p>N/A</p> <p>March 31<sup>st</sup> 2019.</p>

Project Code: ECHS/6/2018/AU

**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>case is being appropriately managed. Emergency placement procedures are in the process of being implemented.</p> <p>A new form was implemented last year which is sent to all providers who quote for costs above either host authority or LBB ceiling rates so that they can identify what needs are “exceptional” and the costs associated. As this was only introduced in latter part of 2018 not all sampled clients would have an associated form.</p>	<p>Head of Service, Placements &amp; Brokerage.</p>	<p>Immediate.</p>

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

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

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

## OPINION DEFINITIONS

## APPENDIX C

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

<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 FINANCIAL STRATEGY AND BUDGET COMPLIANCE FOR 2018-19**

**Issued to:** Ade Adetosoye, Interim Chief Executive  
Peter Turner, Director of Finance

**Prepared by:** Senior Internal Auditor

**Reviewed by:** Audit Manager and Head of Audit

**Date of Issue:** 5 April 2019

**Report No.:** CORP/01/2018/AU



## REVIEW OF FINANCIAL STRATEGY AND BUDGET COMPLIANCE 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of The Financial Strategy and Budget Compliance 2018-19. The audit was carried out in quarters 3 and 4 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 Authority'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 Authority is one of the few authorities without debt. The Authority will have retained previous years' collection fund surpluses totalling £5.7m at the end of 2018/19 (which is normally credited to revenue budgets) as well as a financial management and risk reserve of £10m (both included within earmarked reserves).
4. The Director of Finance has taken a prudent approach in the use of the reserves, as he explained that one off payments to close budget gaps come at an opportunity cost, i.e. rather than being used for investment opportunities as per the Transformation Programme and helping to provide future revenue streams. Also it would not provide a sustainable solution.
5. While a balanced budget has been achieved for the 2019-20 financial year, which was approved by Executive on 13 February 2019, the budget for the medium term plan (i.e. the next three years 2020-21, 2021-22 and 2022-23) is not yet balanced, with cumulative budget gaps respectively of £15.5m, £20.3m and £31.7m.
6. There are three lines of defence in setting the budget and monitoring the budgets, the first line is the officers with direct involvement in income and expenditure, for example the budget holders. The second line of defence is all those key personnel that have an oversight of the budget and include, but are not exclusive to, the Chief Officers for each department, Scrutiny Committees, the Director of Finance, the Executive and the Full Council who approve the final budget. The third line of defence includes the internal and external auditors who assess actions taken with regards to the budget and identify any issues with budget setting/monitoring etc.

### AUDIT SCOPE

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

## REVIEW OF FINANCIAL STRATEGY AND BUDGET COMPLIANCE 2018-19

### 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.

### MANAGEMENT SUMMARY

9. Controls noted to be in place and working well, based on the sample testing conducted, included:
- Roles and responsibilities of those involved with the setting of the budget were detailed in the Financial Regulations and Procedures 2015 and the 'Annual Budget timetable and Guidelines 2018/19'.
  - The 2019/20 budget was balanced and was agreed by Full Council at the February 2019 meeting.
  - Reserves had not yet been required to cover budget gaps. The Director of Finance has set up general fund reserves of £20m, which exceeds the 3-5% guidelines as set by CIPFA.
  - The Council has recognised the need to critically review services and, where appropriate, transform these to reduce costs, and accordingly had put a Transformation Programme in place.
  - The Authority had produced a four year medium term financial plan, in line with CIPFA guidance.
  - Budgets with severe pressures were being monitored on a more frequent bi-monthly basis.

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

- The budget timetable did not provide sufficient detail or guidance on the savings to be achieved.
- In some cases identified savings did not sufficiently detail how these savings had been identified/calculated and when, for example, these were expected to be achieved.
- The Transformation Programme 'Project Initiation Document and Terms of Reference' was still in draft at the time of the audit but has subsequently been agreed and finalised.

### SIGNIFICANT FINDINGS (PRIORITY 1)

10. There were no Priority 1 recommendations raised as part of this audit.

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

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1.	<p><b><u>Budget Setting Guidelines</u></b></p> <p>In order to help ensure that the annual budget is produced and agreed in a timely manner and that all staff are aware of senior management expectations, appropriate budget setting guidelines should be in place.</p> <p>It was confirmed that the ‘Annual Budget timetable and Guidelines 2018/19’ had been produced and provided to relevant staff, which detailed the Authority’s approach, the budget timetable and advice on the process. Examination of the document confirmed that, while this provided detailed guidance on budget pressures and what was needed to support the arguments for these pressures, this did not provide the same detail of guidance on savings (i.e. efficiencies and mitigations). For example, this did not detail expectations on how savings should be calculated and substantiated or highlight the importance of the timing and sustainability of these savings.</p>	<p>Where sufficient guidelines are not in place for how savings and mitigations are to be achieved, there is a risk that there will not be sufficiently detailed supporting documentation and calculations available to support the savings identified, which will restrict the Authority’s ability to challenge and monitor these.</p>	<p>The budget timetable going forwards should provide more detail on the information required to support any savings identified to enable these to be properly challenged and monitored.</p> <p><b>(Priority 2)</b></p>

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
2.	<p><b><u>Savings Plans</u></b></p> <p>As part of the 2019/20 budget, each directorate was required to provide a savings (i.e. efficiencies and mitigation) plan.</p> <p>The majority of the savings were identified and linked to the individual commissioning plans. However in some cases there was minimal detail of how the actual savings figures had been calculated (i.e. did not sufficiently detail how these savings had been identified/calculated and when for example these were expected to be achieved).</p>	<p>Where appropriate evidence is not provided to support the identified savings, there is a risk that these savings are more difficult to check or challenge. Furthermore, these are more difficult to monitor, with the risk that planned savings may be substituted with other savings which may not be sustainable.</p>	<p>Any identified savings should be supported with appropriate calculations and assumptions to enable these to be checked and appropriately monitored.</p> <p><b>(Priority 2)</b></p>
3.	<p><b><u>Savings Monitoring</u></b></p> <p>In order to help ensure that the expected savings are achieved and are sustainable, these should be monitored against the original savings plans.</p> <p>While quarterly (bi-monthly for high risk areas) budget monitoring was in place across the Authority, there was no evidence of the savings plans being specifically monitored.</p>	<p>Where savings are not monitored on a regular basis, there is a risk that savings will not be achieved as expected or that planned savings may be substituted with other savings which may not be sustainable.</p>	<p>The achievement of the identified savings should be monitored at least on a quarterly basis.</p> <p><b>(Priority 2)</b></p>

REVIEW OF FINANCIAL STRATEGY AND BUDGET COMPLIANCE FOR 2018-19

APPENDIX B

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1.	The budget timetable going forwards should provide more detail on the information required to support any savings identified to enable these to be properly challenged and monitored.	2	The Council always worked to a budget timetable and the financial forecast is updated on a bi-monthly basis. A full timetable of savings/mitigation options is being identified through the council's overall transformation programme. Proposals from transformation are expected to be fully identified in October 2019.	Director of Finance	Completion by end of October 2019
2.	Any identified savings should be supported with appropriate calculations and assumptions to enable these to be checked and appropriately monitored.	2	The Heads of Finance for respective service areas are required to validate any saving proposals and provide necessary challenge to ensure the robustness of the savings identified with adequate evidence to support the proposals.	Director of Finance and Chief Officers Group	Ongoing
3.	The achievement of the identified savings should be monitored at least on a quarterly basis.	2	Savings are monitored through the quarterly budget monitoring arrangements. A list of all savings/mitigation will be reported	Director of Finance	Ongoing

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			separately to Chief Officers and the identified savings will be monitored and reported through the Council's quarterly budget monitoring to Councillors with bi-monthly monitoring on high risk areas.		

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.

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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 TREASURY MANAGEMENT**

**Issued to:** Tracey Pearson, Chief Accountant

**Cc:** Jo-Anne Chang-Rogers, Principal Accountant  
Peter Turner, Director of Finance, (Final Report only)

**Prepared by:** Mazars Auditor  
**Date of Issue:** 1<sup>st</sup> April 2019

**Report No.:** CEX/05/2018/AU

## REVIEW OF TREASURY MANAGEMENT FOR 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Treasury Management for 2018-19. The audit was carried out in Quarter 4 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 Executive, Resources and Contracts Policy Development and Scrutiny (PDS) Committee approves an annual Treasury Management Strategy and Investment Strategy. The Committee receives quarterly reports on Treasury activities, a mid-year review report on the Treasury Management Strategy in November and a Treasury Management Annual Report in July.
4. The Treasury Officer maintains records of investments with counterparties (which include banks, building societies, public authorities and AAA rated money market funds). Individual investments are approved in advance by the Director of Finance or Chief Accountant, with the exception of money market fund investments which are made with funds used on a regular basis and do not require high-level individual approval.
5. Total investments as at 28<sup>th</sup> February 2019 amounted to £333.2 million. There was no external borrowing.

### AUDIT SCOPE

6. The scope of the audit is detailed in the Terms of Reference issued on 24<sup>th</sup> January 2019.

### AUDIT OPINION

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

## REVIEW OF TREASURY MANAGEMENT FOR 2018-19

### MANAGEMENT SUMMARY

8. Controls noted to be in place and working well, based on the sample testing conducted, included:
- Investments were made with eligible counterparties (per Annex 2 to the Investment Strategy for 2018/19).
  - Investments were correctly approved by the Director of Finance or Chief Accountant.
  - Investments were consistent with credit limits for individual counterparties.
  - Repayments of investments due to be repaid in 2018/19 (including interest) were recorded on Oracle.
  - Quarterly Treasury Management performance reports were received by the Executive, Resources and Contracts PDS Committee during 2018/19.
- However, we would like to bring to management attention the following issue:
- The Quarter 3 reconciliation between Treasury records of investments and Oracle was incomplete and had not yet been signed off.

### 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 TREASURY MANAGEMENT FOR 2018-19

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1.	<p><b><u>Quarterly Treasury Reconciliations</u></b></p> <p>The Quarter 3 reconciliation between the balance of investments on Oracle and the balance according to Treasury records was incomplete, as there was a reconciliation difference of £2,800,000 which was unexplained. The reconciliation had not yet been reviewed and signed off by the Senior Accountant.</p>	<p>Where Treasury reconciliations are not completed and reviewed in a timely manner, there is an increased risk that transactional errors may not be detected and rectified, which could result in management being unable to take the necessary mitigating actions to rectify.</p>	<p>Quarterly reconciliations between Treasury records and Oracle should be completed within two weeks of the end of the quarter and reviewed by the Senior Accountant.</p> <p>Each reconciliation statement should include the following version history details:</p> <ul style="list-style-type: none"> <li>- Name of preparing officer;</li> <li>- Date prepared;</li> <li>- Name of reviewing officer; and</li> <li>- Date reviewed.</li> </ul> <p><b>(Priority 2)</b></p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1.	<p>Quarterly reconciliations between Treasury records and Oracle should be completed within two weeks of the end of the quarter and reviewed by the Senior Accountant.</p> <p>Each reconciliation statement should include the following version history details:</p> <ul style="list-style-type: none"> <li>- Name of preparing officer;</li> <li>- Date prepared;</li> <li>- Name of reviewing officer; and</li> <li>- Date reviewed.</li> </ul>	2*	Agreed	Capital Accountant	Immediate

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 DEPARTMENT

#### REVIEW OF ARBORICULTURAL SERVICES AUDIT FOR 2018-19

**Issued to:** John Bosley, Assistant Director of Environment  
Hugh Chapman, Interim Arboricultural Services Manager  
Sarah Foster, Head of Performance Management and Business Support  
Claire Martin, Head of Finance Corporate and ECS

**Cc** Nigel Davies, Executive Director of Environment Service

**Prepared by:** Principal Auditor

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

**Report No:** ECS/7/2018/AU

## REVIEW OF ARBORICULTURAL SERVICES AUDIT 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Arboricultural Services 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 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 Arboricultural Team delivers a statutory service of surveys and maintenance for the Councils tree stock in streets, parks and woodlands. The Bromley team undertake the 3 yearly surveys and respond to referrals from the public referring work to the contractor via the Confirm system. The Arboricultural maintenance contract was awarded to Contractor A in 2008 for an initial period of 9 years but extended to March 2019 by Deed of Variation signed in September 2017.
4. The budget for tree maintenance for 2018/19 is £748,690 with quarter 3 budget monitoring reporting a forecast actual spend of £776,920.

### AUDIT SCOPE

3. The scope of the audit was outlined in the Terms of Reference issued on 25<sup>th</sup> September 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 C.

### MANAGEMENT SUMMARY

5. The audit review has considered the management and monitoring of the arboricultural maintenance contract. Given the current contract ends in March 2019 and a new contractor will be delivering the service, this audit seeks to highlight areas of weakness to be addressed to improve management and monitoring moving forward with the new contract.
6. It is acknowledged that the audit was been undertaken at a period of change for the service. The Arboricultural Service Manager left the Authority in August 2018 requiring the arboricultural officer to cover the role in the interim. This reduced the in-house team responsible for surveying and monitoring from 4 officers to 3 and as at January 2019 there were further vacancies as two arboricultural officers have left the Authority. The Interim Service Manager (ISM) is working with the project team to execute the exit plan whilst working on the new contract starting in April 2019.
7. Our testing identified the following issues which we would like to draw to management's attention:-
  - The payment process is undertaken by the Arboricultural Team rather than Performance and Business Support as evidenced for other services in ECS. Areas to be improved include separation of duties, accounting for payment certificates, insufficient information on the invoice to allow adequate reconciliation, no supporting documentation scanned with the invoice to support payment, informal documentation to support schedule of rates variances and no distribution expenditure codes specified on the purchase order since September.
  - A Confirm report showing open orders between 01/04/017 and 31/3/18 accounted for 558 jobs with a total value of £104,694. Subsequent meetings with the system administrator and Finance has highlighted issues with Confirm as committed payment certificates have not been cleared and limited information on the invoice did not allow reconciliation to payment certificates.
  - Performance monitoring of the contract has not been effective for 2018/19.
  - The team site indicates that no defaults have been issued since December 2017; the £50 penalty for a default notice has not been uplifted since the contract started in 2008 and the monitoring meeting minutes conflicts with the information shown on the monitoring spreadsheets maintained by the Arboricultural Team.

## REVIEW OF ARBORICULTURAL SERVICES AUDIT 2018-19

- The 2008 contract held on Neighbourhood Management Contract Filing System (NMCFS) and the Contract Database was incomplete.
- There are two sites on One Bromley for the Arboricultural Service; Trees and Woodlands and the NMCFS. As with other Environment teams, Arboriculture contract information is uploaded and stored on the NMCFS site but the performance monitoring and operational procedure notes are stored on the Arboricultural team site (Trees and Woodlands).
- Procedure notes were informal, incomplete and needed to be revised, dated and owned
- The quality of the contract monitoring meeting minutes varies and needs to be standardised. Key monitoring information is not recorded and there is no cross reference to supporting documentation.
- The Contract Monitoring Framework (CMF) rolled out for all Environment contracts had not been utilised by the Arboricultural Service although it is acknowledged that the team will start populating the monthly matrices in preparation for using the templates in April 2019 when the new contract starts.
- The team use Confirm to generate the work and ORACLE for budget monitoring but the understanding of both systems and the capacity to extend the use of both systems should be realised via training.

### SIGNIFICANT FINDINGS (PRIORITY 1)

8. There are 4 significant findings reported as follows:-

#### Payment Process

9. The ISM evidenced the payment process that had been written by the previous Service Manager. The procedure notes were informal and have been updated by the ISM.
10. Unlike other contracts held by the Department, the payment process remains with the Arboriculture Team. The arboriculture officers, including the manager will raise jobs on Confirm to be undertaken by the contractor. At the end of the month the contractor will submit the payment schedule of all completed jobs. The ISM will check all jobs highlighted as “outside of

## REVIEW OF ARBORICULTURAL SERVICES AUDIT 2018-19

contract price” i.e. jobs where the charge differed to the schedule of rates. Once all jobs are agreed the ISM will respond to the contractor to raise the corresponding invoice. The ISM will e-mail the Business Support Officer (BSO) in Highways to raise an I-Proc order. The Assistant Director of Environment is copied in to this e-mail request to prompt authorisation of the I-Proc order. The invoice is sent directly to the exchequer contractor for payment. This payment process is weak, the main issues are as follows:-

- The ISM is involved in all stages of the process. Technically there are three officers involved in the expenditure process given the Highways BSO raises an order but this is basically an administrative function that is too removed from the service to be an effective control or exercise any challenge. It was noted that for the latest purchase order (PO 4209918), raised on the 6/2/19, the ISM had initiated the order weakening the separation of duties further.
- The Confirm payment certificates are sequentially numbered but audit testing for invoices paid in 2018 show that payment certificate 317 is missing for August and 321 missing between October and November.
- Payment certificate 300, identified in finding 2 of this report as a potential problem and uncommitted, has been detailed as the document supporting the invoice for March 2018.
- For the 11 invoices checked, January to November 2018, payment certificates were only detailed on 4, allowing a cross reference from ORACLE to Confirm. Information on the invoices is limited to the month that the work has been completed in.
- The invoices selected for audit examination had been processed without the Confirm payment certificate scanned and attached as the supporting documentation.
- The ISM could not confirm how default notices would be represented on the invoice as the invoices were not received in the section prior to payment.
- The ISM will review all jobs claimed with a varying rate. This will include dialogue with the contractor and possibly joint site visits. The exchanges with the contractor and outcome are documented by e-mail held in the ISM’s outlook folders. For other contracts using Confirm, the “payment request re-measurement sheet” is used as an authorised document retained to evidence the variation to contract price.
- As discussed in finding 3 of this report, the invoice is paid before the performance monitoring has been completed.

## REVIEW OF ARBORICULTURAL SERVICES AUDIT 2018-19

- The first payment certificate submitted by the contractor with the “flagged” variances is not retained by the ISM and assumed that it would be available in Confirm. The IT system administrators were asked to access the initial payment certificates but these were not available.
11. During the process to match open orders in Confirm to ORACLE transactions it was identified that the ISM has not been using the cost code allocated to the job when raising the I-Proc order. A report of all Purchase Orders raised in 2018 shows that since the Service Manager left in August 2018 the invoice cost has been coded to main code “Tree Planting and Maintenance” rather than the various expenditure and project codes. The ISM will need to advise the Service Accountant of the correct expenditure codes to action journal transfers. For jobs such as crossovers, whereby the unique project code shows income and expenditure, not putting the tree expenditure to the project code creates a credit balance on the account.
  12. Previous Internal Audit reports had identified significant findings for contract management. In response to these findings the Department have developed the Contract Management Framework (CMF) and a robust payment process for ECS contracts. The Arboriculture contract was not transferred to the new payment procedures. During the course of the audit, discussions with management indicated that payment responsibilities for Arboriculture would be transferred to the Performance and Business Support Team.

### Open Orders and Confirm

13. During the review of budget monitoring a significant number of open orders was identified; these are allocated jobs on Confirm that have not been completed and charged and for accounting purposes will need to be shown as a sundry creditor at year end.
14. The IT support for Confirm generated a report of all open orders for Arboriculture. As at January 2019 there were 1,238 outstanding jobs between 1/4/17 and 3/1/19 with a total value of £185,880.

## REVIEW OF ARBORICULTURAL SERVICES AUDIT 2018-19

15. Assuming that the jobs raised in December would still be open, these were removed from the report. This left a balance of 855 jobs 1/4/17 to 30/11/18 with a total value of £161,716. Of these, 558 jobs with a value of £104,694 related to the financial year 2017/18 and 297 jobs, value £57,021 related to 2018/19.
16. The volume of open jobs was further investigated with the Confirm IT Support Officers and the ISM. The primary concern was that these open orders either represented poor performance where allocated jobs had not been undertaken, poor housekeeping whereby cancelled jobs had not been deleted or a Confirm system problem. At a meeting on the 22/1/19 the live system was reviewed with IT (system administrator), ISM and Internal Audit. Issues arising were that:-
  - There were jobs with a “cancelled” status that should be deleted from the system by either the system administrator or by raising a job variation with a rate set at zero.
    - Jobs with a “cancelled” status were showing but the job had been completed.
    - The audit testing had been completed on payment certificate 320 and 322 for October and November respectively. Audit had queried why 321 was not allocated to an invoice. The Confirm check showed that there were three payment certificates that had not been committed on the system:-
      - Certificate 261 had 415 jobs, dated 17/12/16
      - Certificate 300 had 571 jobs, dated 31/3/18
      - Certificate 321 had 4 jobs, dated 31/10/18
    - During the meeting the system administrator committed certificate 321 and this was processed through to payment. For certificate 300, Confirm blocked the process to payment which suggested these jobs had already been paid.
17. The meeting did not generate a simple solution to the problem. It was agreed that the system administrator would look at some of the anomalies identified in Confirm and for the ISM to match payments from Confirm to payments reported in ORACLE.

## REVIEW OF ARBORICULTURAL SERVICES AUDIT 2018-19

To support this reconciliation the Service Accountant generated a transaction report from ORACLE. A meeting was held on the 20/2/19 for Finance and the ISM to resolve the issue with open orders before year end and the end of the contract. The methodology was to cross check information held in Confirm and ORACLE by using payment certificates 261 and 300, (uncommitted on Confirm). A unique cost code assigned to a specific job on the payment certificate was identified in the transaction report on ORACLE and therefore a link to the paid invoice. Following this process for both payment certificates:-

- 261 value £61,412.01 was matched to invoice 33837 dated 30/11/16 net value £66,271.63. The outstanding balance of £4,859.62 could not be matched to payment certificates before or after 261 and therefore remains outstanding.
  - 300 value £107,157.45 was matched to invoice 37234 dated 31/3/18 for £107,799.31. The balance of £641.86 was found on payment certificate 301.
  - Although this has resolved £169,211.32 (£107,157.45 + £61,412.01) of the open orders outstanding on Confirm, there are still open orders for previous financial years that need to be identified and resolved.
18. This does represent poor contract management by the client team but Internal Audit acknowledges that this situation has been hampered by the departure of the previous Service Manager and inadequate handover to the ISM.

### Monitoring the contract

19. The monthly invoice is paid without inspections on completed work, monitoring is undertaken in arrears.
20. The payment certificate, held on Confirm, is downloaded to Excel and saved to the performance monitoring folder held on the Trees and Woodland site. Performance monitoring should be to inspect the ten highest value jobs each month (allocated to the ISM) and then 10% of all other jobs but to include all felled trees. The inspections are allocated to all arboricultural officers according to geographical area. Monitoring should be completed within 3 weeks of receiving the calendar alert on the team site with defaults and rectifications to be shown on the monitoring spreadsheet. The responsible officer should issue the notice to the contractor once authorisation has been obtained. The responsibility to coordinate and collate defaults had been assigned to one officer but this task has not been completed.

## REVIEW OF ARBORICULTURAL SERVICES AUDIT 2018-19

21. For 2018, 6 excel performance monitoring spreadsheets were available on the team site. The audit considered the first report for payment certificates 293 to 299, relating to January and February 2018 and the latest monitoring report available, payment certificates 320 to 322 relating to October and November 2018. The main issues arising:-
- Payment certificate 293 to 299 has 1,597 jobs identified of which 321 were selected for monitoring. Bromley officers inspected 317 of the allocated jobs of which 20 were not completed by the contractor. The spreadsheet had not been updated to show that a rectification or default notice should be issued. At £50 per default these 20 jobs equate to £1,000. A further 6 jobs inspected had been marked as a default/ rectification but there is no trail to confirm that these were referred to the contractor for remedial action or financial compensation.
  - Payment Certificate 320 to 322 has 926 jobs of which 495 were selected for monitoring. As at 13/2/19, 43 jobs were shown as completed. All 43 shown as “Y” completed and therefore none due for default. However there are 452 jobs not inspected or no record of being inspected.
22. Internal Audit checked the remaining four monitoring spreadsheets and identified a further 41 defaults (£2,050) that were shown as defaults or work not completed but had not been progressed to notice and penalty. For payment certificate 315 to 319, 42 jobs had been allocated for inspection but as at 19.2.19, no monitoring information had been populated on the spreadsheet. This information has been shared with the ISM to confirm, issue notice and attempt recovery.
23. The expected level of monitoring is high and when compounded with resources issues (vacant posts and interim management responsibilities for one of the arboriculture officers) not achievable.
24. The performance monitoring for payment certificates 320 and 322 (October and November 2018 was checked in greater detail, the main issues arising were that:
- The top 11 jobs by cost, were listed to check but as this relates to two months this should have been top 20 (procedures state top 10 each month)

## REVIEW OF ARBORICULTURAL SERVICES AUDIT 2018-19

- For the top 10 jobs, 2 of the inspection had been completed but the monitoring sheet not updated
- Of the top 10 jobs, 2 related to tree condition surveys, 2 related to the emergency call out work weekdays and weekends (considered as a separate a KPI) and 2 related to emergency root prunes.
- 5 of the 11 jobs checked related to ad hoc jobs.
- Of the 925 jobs reported on payment certificate 320 and 322, 495 jobs met the criteria for checking which represents were 53% of the total jobs submitted for payment.

25. It is acknowledged that this team have experienced significant resource issues during 2018/19. This has coincided with the award of the new contract and the termination of the contract with the incumbent contractor. These factors have had an impact on performance monitoring with the team prioritising tree surveys as the health and safety of the public is a significant risk.

### Defaults

26. Section 9 of the contract sets out the Default Procedure. The penalty cost for an instant default is £50. The ISM confirmed that although no defaults have been issued this year, the charge would be £50. Similarly rectification notices would be charged at £10 plus a further £10 if remedial work was not satisfactorily evidenced. The fees cited during the audit are the original charges detailed in the contract and relevant to 2008/09. Section 5 of the contract allows for an annual review of the schedule of rates with section 5.6 specifying rectifications and defaults to be increased by RPI. There was no evidence that this had been addressed during the ten years term of the contract.

27. At the start of audit testing in November 2018 the ISM was concerned that no defaults had been processed. Information available on the team site confirms that the last default notice issued to the contractor was 1/12/17. A review of invoices for work completed since January 2018 confirmed that there was no deduction or reference to default penalty charges. The ISM was unsure how the financial penalty would be represented on the monthly invoice and as the invoice goes directly to the exchequer contractor, no check is made of any default/rectification charges due or applied.

## REVIEW OF ARBORICULTURAL SERVICES AUDIT 2018-19

28. Defaults are a standing item on the contract monitoring meetings. Minutes reviewed from April to October 2018 vary in the recording of defaults. Main issues arising were that:-
- In April the Contract Manager refers to “restarting” the rectification notices and that he was yet to review March 2018 monitoring.
  - In May minutes note that the contract monitoring framework should “ include rectifications and defaults”
  - In July a new contact for defaults was minuted
  - In August and September the minute states that “all defaults and rectification work has been completed”.
  - In October the contractor raised issues with the LBB contact for the default process
29. The information minutes conflict with the other information gathered during the audit and indicates that the default procedure has not been operated according to the terms of the contract or agreed processes.
30. As discussed in finding 3 above, the audit testing on the monitoring spreadsheets evidenced defaults that had been identified but no default notice issued. Similarly jobs that were shown as “not completed” on the monitoring spreadsheet but no default was raised. As the invoices are paid prior to any inspections the jobs identified as not completed would have been charged and paid for. The value of these jobs should have been recovered as well as the default penalty. The total value of paid jobs and identified as not completed for 2018 is £6,357.86.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

31. 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

32. 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>Payment Process</b></p> <p>The ISM evidenced the payment process that had been written by the previous manager. The procedure notes were informal and have been updated by the ISM.</p> <p>Unlike other contracts held by the Department, the payment process remains with the Arboriculture Team. The Arboriculture officers, including the manager will raise jobs on Confirm to be undertaken by the contractor. At the end of the month the contractor will submit the payment schedule of all completed jobs. The ISM will check all jobs highlighted as “outside of contract price” i.e. jobs where the charge differed to the schedule of rates. Once all jobs are agreed the ISM will respond to the contractor to raise the corresponding invoice. The ISM will e-mail the Business Support Officer (BSO) in Highways to raise an I-Proc order. The Assistant Director of Environment is copied in to this e-mail request to prompt authorisation of the I-Proc order. The invoice is sent directly to the exchequer contractor for payment. This payment process is weak, the main issues are as follows:-</p>	<p>Unauthorised expenditure incurred by the Authority</p>	<p><b>The Department intend to transfer the payment process for the Arboriculture contract to the Performance and Business Support Team; this should be done immediately to address the issues raised in this audit review.</b></p>

Project Code: ECS/7/2018/AU

**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
1 cont	<ul style="list-style-type: none"> <li>The ISM is involved in all stages of the process. Technically there are three officers involved in the expenditure process given the Highways BSO raises an order but this is basically an administrative function that is too removed from the service to be an effective control or exercise any challenge. It was noted that for the latest purchase order (PO 4209918), raised on the 6/2/19, the ISM had initiated the order weakening the separation of duties further.</li> <li>The Confirm payment certificates are sequentially numbered but audit testing for invoices paid in 2018 show that payment certificate 317 is missing for August and 321 missing between October and November.</li> <li>Payment certificate 300, identified in Finding 5 below as a potential problem, has been detailed as the document supporting the invoice for March 2018.</li> <li>For the 11 invoices checked, January to November, payment certificates were only detailed on 4, allowing a cross reference from ORACLE to Confirm. Information on the invoices is limited to the month that the work has been completed in.</li> </ul>	<p>Failure to achieve a separation of duties whereby any checks and authorisation are meaningful.</p> <p>Payment certificates may not be accounted for</p> <p>Inadequate documentation to support the payment</p>	<p><b>All payment certificates should be accounted for and any gaps in the numerical sequence verified.</b></p> <p><b>There should be sufficient detail on the invoice, as specified on the I-Proc order, to cross reference the payment to Confirm.</b></p>

Project Code: ECS/7/2018/AU

**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
1 cont	<ul style="list-style-type: none"> <li>The invoices selected for audit examination had been processed without the Confirm payment certificate scanned and attached as the supporting documentation.</li> <li>The ISM could not confirm how default notices would be represented on the invoice as the invoices were not received in the section prior to payment.</li> <li>The ISM will review all jobs claimed with a varying rate. This will include dialogue with the contractor and possibly joint site visits. The exchanges with the contractor and outcome are documented by e-mail held in the ISM outlook folders. For other contracts using Confirm, the “payment request re-measurement sheet” is used as an authorised document retained to evidence the variation to contract price.</li> <li>As discussed in Finding 3 below, the invoice is paid before the performance monitoring has been completed.</li> <li>The first payment certificate submitted by the contractor with the “flagged” variances is not retained by the ISM and assumed that it would be available in Confirm. The IT system administrators were asked to access the initial payment certificates but these were not available.</li> </ul>	<p>Inadequate audit trail to support changes to the payment certificate</p>	<p><b>The invoice should be processed and scanned with adequate supporting documentation to support payment. For arboricultural services this will be the payment certificate.</b></p> <p><b>All communication with the contractor should be formalised and retained in a format and folder that can be accessed by appropriate officers.</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
1 cont	<p>During the process to match open orders in Confirm to ORACLE transactions (see finding 2 below) it was identified that the ISM has not been using the cost code allocated to the job when raising the I-Proc order. A report of all Purchase Orders raised in 2018 shows that since the Service Manager left in August 2018 the invoice cost has been coded to main code "Tree Planting and Maintenance" rather than the various expenditure and project codes. The ISM will need to advise the Service Accountant of the correct expenditure codes to action journal transfers. For jobs such as crossovers, whereby the unique project code shows income and expenditure, not putting the tree expenditure to the project code creates a credit balance on the account.</p> <p>Previous Internal Audit reports had identified significant findings for contract management. In response to these findings the Department have developed the CMF and a robust payment process for ECS contracts. The Arboriculture contract was not transferred to the new payment procedures. During the course of the audit, discussions with management indicated that payment responsibilities for Arboriculture would be transferred to the Performance and Business Support Team.</p>	<p>The Authority's accounts may not reflect actual service delivery</p>	<p><b>The Authority's accounts must reflect actual activity. When expenditure has been incurred on specific jobs (outside the main "trees maintenance" code) the correct expenditure head must be allocated to the i-proc order so that the invoice total can be distributed correctly.</b></p> <p><b>The ISM should liaise with Finance to action corrective journal transfers for invoices paid since September 2018.</b></p> <p><b>Priority1</b></p>

Project Code: ECS/7/2018/AU

**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>Open Orders and Confirm</b>                      During the review of budget monitoring a significant number of open orders was identified; these are allocated jobs on Confirm that have not been completed and charged and for accounting purposes will need to be shown as a sundry creditor at year end.</p> <p>The IT support for Confirm generated a report of all open orders for Arboriculture. As at January 2019 there were 1,238 outstanding jobs between 1/4/17 and 3/1/19 with a total value of £185,880.</p> <p>Assuming that the jobs raised in December would still be open, these were removed from the report. This left a balance of 855 jobs 1/4/17 to 30/11/18 with a total value of £161,716. Of these, 558 jobs with a value of £104,694 related to the financial year 2017/18 and 297 jobs, value £57,021 related to 2018/19.</p> <p>The volume of open jobs was further investigated with the Confirm IT Support Officers and the ISM. The primary concern was that these open orders either represented poor performance where allocated jobs had not been undertaken,</p>	<p>Committed values shown in Confirm may not be due to the contractor.</p> <p>Budget monitoring may not reflect the actual financial position of this contract.</p>	<p><b>The open orders report generated from Confirm should be used to complete the monthly contract management of this contract.</b></p>

Page 81

Project Code: ECS/7/2018/AU

**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 cont	<p>poor housekeeping whereby cancelled jobs had not been deleted or a Confirm system problem. At a meeting on the 22/1/19 the live system was reviewed with IT (system administrator), ISM and Internal Audit. Issues arising were that:</p> <ul style="list-style-type: none"> <li>• There were jobs with a “cancelled” status that should be deleted from the system by either the system administrator or by raising a job variation with a rate set at zero.</li> <li>• Jobs with a “cancelled” status were showing but the job had been completed.</li> <li>• The audit testing had been completed on payment certificate 320 and 322 for October and November respectively. Audit had queried why 321 was not allocated to an invoice. The Confirm check showed that there were three payment certificates that had not been committed. Certificate 261 had 415 jobs, dated 17/12/16 Certificate 300 had 571 jobs, dated 31/3/18 Certificate 321 had 4 jobs, dated 31/10/18</li> </ul>	<p>System anomalies or errors in the Confirm system may not be identified.</p>	<p><b>The Department should liaise with Finance and the IT System Administrator to develop a suite of reports that would help the ISM to identify problems at the earliest opportunity and take remedial action.</b></p>

Project Code: ECS/7/2018/AU

**Priority 1**  
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**Priority 3**  
Identification of suggested areas for improvement

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No.	Findings	Risk	Recommendation
2 cont	<p>During the meeting the system administrator committed 321 and this was processed through to payment. For certificate 300, Confirm blocked the process to payment which suggested these jobs had already been paid.</p> <p>The meeting did not generate a simple solution to the problem. It was agreed that the system administrator would look at some of the anomalies identified in Confirm and for the ISM to match payments from Confirm to payments reported in ORACLE.</p> <p>To support this reconciliation the Service Accountant generated a transaction report from ORACLE. A meeting was held on the 20/2/19 for Finance and the ISM to resolve the issue with open orders before year end and the end of the contract. The methodology was to cross check information held in Confirm and ORACLE by using payment certificates 261 and 300. A unique cost code assigned to a specific job on the payment certificate was identified in the transaction report on ORACLE and therefore a link to the paid invoice. Following this process for both payment certificates:-</p>		<p><b>The Department will need to complete the process to clear open orders or resolve what action is to be taken for unmatched open orders showing on Confirm at year end and contract end.</b></p> <p><b>The Department will need to authorise that the open orders in Confirm that have been matched to ORACLE invoices can be cancelled</b></p>

Project Code: ECS/7/2018/AU

**Priority 1**  
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**Identification of suggested areas for improvement**

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No.	Findings	Risk	Recommendation
2 cont	<ul style="list-style-type: none"> <li>261 value £61,412.01 was matched to invoice 33837 dated 30/11/16 net value £66,271.63. The outstanding balance of £4,859.62 could not be matched to payment certificates before or after 261 and therefore remains outstanding.</li> <li>300 value £107,157.45 was matched to invoice 37234 dated 31/3/18 for £107,799.31. The balance of £641.86 was found on payment certificate 301.</li> <li>Although this has resolved £169,211.32 (£107,157.45 + £61,412.01) of the open orders outstanding on Confirm, there are still open orders on Confirm for previous financial years that need to be identified and resolved.</li> </ul> <p>This does represent poor contract management by the client team but Internal Audit acknowledges that this situation has been hampered by the departure of the previous service Manager and inadequate handover to the ISM.</p>		<p><b>The Confirm system administrator should be requested to review and evaluate how these open orders remained in Confirm after the invoices were paid and assurance that any system anomalies have been addressed.</b></p> <p><b>The payment process will need to account for these payment certificates in sequential order.</b></p> <p><b>Priority 1</b></p>

Project Code: ECS/7/2018/AU

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

**Priority 2**  
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**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p><b>Monitoring the contract</b>                      The monthly invoice is paid without inspections on completed work, monitoring is undertaken in arrears.</p> <p>The payment certificate, held on Confirm, is downloaded to Excel and saved to the performance monitoring folder held on the Trees and Woodland site. Performance monitoring should be to inspect the ten highest value jobs each month (allocated to the ISM) and then 10% of all other jobs but to include all felled trees. The inspections are allocated to all arboricultural officers according to geographical area. Monitoring should be completed within 3 weeks of receiving the calendar alert on the team site with defaults and rectifications to be shown on the monitoring spreadsheet. The responsible officer should issue the notice to the contractor once authorisation has been obtained. The responsibility to coordinate and collate defaults had been assigned to one officer but this task has not been completed.</p> <p>For 2018, 6 excel performance monitoring spreadsheets were available on the team site. The audit considered the first report for payment certificates 293 to 299, relating to January and</p>	<p>Where contract performance is not monitored the contractor may be unaware of underperformance and non-compliance with contract terms. This may result in underperformance continuing without correction.</p>	<p><b>Performance monitoring of work completed should be completed before the corresponding payment is processed.</b></p>

Page 85

Project Code: ECS/7/2018/AU

**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

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No.	Findings	Risk	Recommendation
3 cont	<p>February 2018 and the latest monitoring report available, payment certificates 320 to 322 relating to October and November 2018. The main issues arising:-</p> <ul style="list-style-type: none"> <li>• <b>Payment certificate 293 to 299</b> has 1597 jobs identified of which 321 were selected for monitoring. Bromley officers inspected 317 of the allocated jobs of which 20 were not completed by the contractor. The spreadsheet had not been updated to show that a rectification or default notice should be issued. At £50 per default these 20 jobs equate to £1,000. A further 6 jobs inspected had been marked as a default/rectification but there is no trail to confirm that these were referred to the contractor for remedial action or financial compensation.</li> <li>• <b>Payment Certificate 320 to 322</b> has 926 jobs of which 495 were selected for monitoring. As at 13/2/19 43 jobs were shown as completed. All 43 shown as “Y” completed and therefore none due for default. However there are 452 jobs not inspected or no record of being inspected.</li> </ul>	<p>Rectification and default penalties due to the Council for uncompleted work or substandard work may not be collected</p>	<p><b>The Service Manager will need to verify if the rectifications/defaults identified in the audit were followed up with the contractor. If not the default notices must be issued before the end of the financial year and end of the contract.</b></p>

Project Code: ECS/7/2018/AU

**Priority 1**  
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**Priority 3**  
**Identification of suggested areas for improvement**

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3 cont	<p>Internal Audit checked the remaining four monitoring spreadsheets and identified a further 41 defaults (£2,050) that were shown as defaults or work not completed but had not been progressed to notice and penalty. For payment certificate 315 to 319, 42 jobs had been allocated for inspection but as at 19.2.19, no monitoring information had been populated on the spreadsheet. This information has been shared with the ISM to confirm, issue notice and attempt recovery.</p> <p>The expected level of monitoring is high and when compounded with resources issues (vacant posts and interim management responsibilities for one of the arboriculture officers) not achievable.</p> <p>The performance monitoring for payment certificates 320 and 322 (October and November 2018 was checked in greater detail, the main issues arising were that:</p> <ul style="list-style-type: none"> <li>• The top 11 jobs by cost, were listed to check but as this relates to two months this should have been top 20 (procedures state top 10 each month)</li> <li>• For the top 10 jobs, 2 of the inspection had been</li> </ul>		<p><b>The ISM should review the monitoring spreadsheets with a view to issuing default and recovering the penalty fee due.</b></p>

Project Code: ECS/7/2018/AU

**Priority 1**  
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**Priority 2**  
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**Priority 3**  
**Identification of suggested areas for improvement**

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3 cont	<p>completed but the monitoring sheet not updated</p> <ul style="list-style-type: none"> <li>• Of the top 10 jobs, 2 related to tree condition surveys, 2 related to the emergency call out work weekdays and weekends (considered as a separate a KPI) and 2 related to emergency root prunes.</li> <li>• 5 of the 11 jobs checked related to ad hoc jobs.</li> <li>• Of the 925 jobs reported on payment certificate 320 and 322, 495 jobs met the criteria for checking which represents were 53% of the total jobs submitted for payment.</li> </ul> <p>It is acknowledged that this team have experienced significant resource issues during 2018/19. This has coincided with the award of the new contract and the termination of the contract with the incumbent contractor. These factors have had an impact on performance monitoring with the team prioritising tree surveys as the health and safety of the public is a significant risk.</p>		<p><b>The procedures for monitoring to be reviewed to ensure that the planned coverage is achievable and representative. All inspectors to be to comply with performance monitoring within the timeframe allocated by management and recording results in the agreed format.</b></p> <p><b>Priority 1</b></p>

Project Code: ECS/7/2018/AU

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

**Priority 2**  
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**Priority 3**  
**Identification of suggested areas for improvement**

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4	<p><b>Defaults</b>                      Section 9 of the contract sets out the Default Procedure. The penalty cost for an instant default is £50. The ISM confirmed that although no defaults have been issued this year, the charge would be £50. Similarly rectification notices would be charged at £10 plus a further £10 if remedial work was not satisfactorily evidenced. The fees cited during the audit are the original charges detailed in the contract and relevant to 2008/09. Section 5 of the contract allows for an annual review of the schedule of rates with section 5.6 specifying rectifications and defaults to be increased by RPI. There was no evidence that this had been addressed during the ten years term of the contract.</p> <p>At the start of audit testing in November 2018 the ISM was concerned that no defaults had been processed. Information available on the team site confirms that the last default notice issued to the contractor was 1/12/17. A review of invoices for work completed since January 2018 confirmed that there was no deduction or reference to default penalty charges. The ISM was unsure how the financial penalty would be represented on the monthly invoice and as the invoice goes directly to the</p>	<p>Valid increase to default/rectification charges may not be applied</p> <p>Poor performance by the contractor is not challenged which results in potential losses to the authority</p>	<p><b>The Service Manager should ensure that the financial elements of the contract are reviewed and implemented, specifically uplifts to default and rectification charges.</b></p> <p><b>The default procedure should be reviewed. All monitoring officers should be reminded of the need to comply with default/rectification process; following agreed reporting, recording and charging procedures. The Service Manager should be aware of the number of defaults and rectification enforced with a view to accounting for</b></p>

Page 89

Project Code: ECS/7/2018/AU

Page 25 of 51

**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 cont	<p>exchequer contractor and no check is made of any default/rectification charges due or applied. Defaults are a standing item on the contract monitoring meetings. Minutes reviewed from April to October 2018 vary in the recording of defaults. Main issues arising were that:-</p> <ul style="list-style-type: none"> <li>• In April the Contract Manager refers to “restarting” the rectification notices and that he was yet to review March 2018 monitoring.</li> <li>• In May minutes note that the contract monitoring framework should “ include rectifications and defaults”</li> <li>• In July a new contact for defaults was minuted</li> <li>• In August and September the minute states that “all defaults and rectification work has been completed”.</li> <li>• In October the contractor raised issues with the LBB contact for the default process</li> </ul> <p>The information minutes conflict with the other information gathered during the audit and indicates that the default procedure has not been operated according to the terms of the contract or agreed processes.</p>		<p><b>and reconciling charges on the monthly invoice.</b></p> <p><b>As a key performance indicator, defaults should be considered at the monthly monitoring meetings. The meetings should reflect the volume of defaults, status, remedial action and financial charges.</b></p>

Page 90

Project Code: ECS/7/2018/AU

**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**

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No.	Findings	Risk	Recommendation
4 cont	<p>As discussed in finding 3 above, the audit testing on the monitoring spreadsheets evidenced defaults that had been identified but no default notice issued. Similarly there were jobs that were shown as “not completed” on the monitoring spreadsheet and no default was raised. As the invoices are paid prior to any inspections the jobs identified as not completed would have been charged and paid for. The value of these jobs should have been recovered as well as the default penalty. The total value of paid jobs and identified as not completed for 2018 is £6,357.86.</p>		<p><b>Given the imminent termination of the contract, management should identify defaults as a priority and recover any financial value due to the Authority; the £50 penalties and the £6,357.86 potential overpayment for jobs “not completed.”</b></p> <p><b>Priority 1</b></p>

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

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No.	Findings	Risk	Recommendation
5	<p><b>Contract Documents</b></p> <p>The Contract Database and the Neighbourhood Management Contract Filing System (NMCFS) were reviewed to verify the contractual documentation held for the Arboricultural Services with Contractor A. The original contract 2008 to 2018 was extended to March 2019 by deed of variation.</p> <p>On both systems the signed contract does not include the last page which according to the contents page would be the Data Protection Section.</p>	<p>Incomplete contract documents may impact on the management and monitoring of that contract.</p>	<p><b>When uploading documents to the database and the NMCFS the officer should ensure that the documents are complete.</b></p> <p><b>Priority 2</b></p>

Page 92

Project Code: ECS/7/2018/AU

**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>One Bromley – Team Sites</b>                      The Department use the NMCFS to standardise information and documentation for all contracts. As at the 13/2/19 the contact officer for Arboriculture is shown as the officer who left the Authority in August 2018.</p> <p>The Arboricultural Service are included on this site but have still retained the team site, used to store the monthly performance monitoring undertaken by the officers and the procedures to support the operational processes of the team.</p>	<p>Filing and recording of data on split sites may lead to access issues and an impact of business continuity as the agreed departmental standard is not followed</p>	<p><b>In line with other Environment contracts, documentation should be held within the NMCFS, compliant to the standard format developed by the Department. Relevant information relating to the Arboricultural Service should be transferred from the Trees and Woodlands team site, specifically the procedure notes and performance monitoring information.</b></p> <p><b>Information held on this site should be updated regularly to ensure accurate information is available for all users.</b>  <b>Priority 2</b></p>

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

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7	<p><b>Procedure notes</b></p> <p>The procedure notes for the operation of the Arboriculture Service are held on the Trees and Woodlands site on One Bromley</p> <p>The procedure notes filed in the “handover drawer” of the team site were the most recent but were of limited use. Although the payment process was detailed and included screen shots the terminology was informal and there were gaps and inaccuracies in the process. The default and rectification was a lift from the contract and did not address the routines to be adopted by the Arboricultural Officers at a local level.</p> <p>It is acknowledged that the ISM has revised the Monthly Reporting Procedure, the Contract Monitoring Procedure and the Payment Process but these procedures are not dated or owned and have no revision date.</p> <p>The start of the new contract will be a period of change and may necessitate changes to the administrative and financial procedures.</p>	<p>Operational, financial and administrative procedures may not be sustained if responsible officers are absent.</p> <p>Business continuity may be compromised when key officers leave the Authority.</p> <p>Good practice and compliance may not be evidenced if the agreed standard is not recorded.</p>	<p><b>The procedure notes should cover all aspects of the administrative and financial management of the Arboricultural Service.</b></p> <p><b>The procedures should include sufficient detail to allow business continuity.</b></p> <p><b>Procedure notes should be owned and dated with a revision date embedded in the document footer.</b></p> <p><b>Responsibility should be assigned to review procedures currently held on the team site and archive or delete out of date procedures.</b></p> <p><b>Priority 2</b></p>

Page 94

Project Code: ECS/7/2018/AU

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

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
8	<p><b>Contract Monitoring Minutes</b></p> <p>The minutes for the contract monitoring meetings were reviewed from April 2018 to October 2018. The main issues arising were that :-</p> <ul style="list-style-type: none"> <li>• The quality of the minutes varies through this period from brief notes, unconnected to subject matter to more comprehensive, detailed minutes.</li> <li>• The minutes refer to the performance data received but does not reference the documents to allow reconciliation and qualification.</li> <li>• The minutes refer to standing items in general terms without any specific numbers, data time frames.</li> <li>• Item 3 “KPI’s Performance Statistics” should reference the 6 indicators rather than a general update on issues.</li> <li>• There are entries such “<i>Croydon Road Works?</i>” -16/8/18 item 5 (CFM) that has no context or purpose</li> <li>• The minutes do not reflect acceptance by all parties as a representation of discussion.</li> </ul>	<p>The minutes do not capture the discussion to support decisions or record agreed actions</p>	<p><b>The contract monitoring meetings minutes should conform to an agreed standard and detail.</b></p> <p><b>Documents discussed at the meeting should be referenced to allow an adequate audit trail.</b></p> <p><b>Standard items should be noted as “no discussion” and state the reason. Similarly “nil returns” to be minuted.</b></p> <p><b>The minutes should not include vague references; any points that the minute taker is unclear about should be verified before issue. Priority 2</b></p>

Page 95

Project Code: ECS/7/2018/AU

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

**Priority 2**  
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**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
9	<p><b>Use of the Contract Monitoring Framework (CMF)</b></p> <p>At the start of the audit the team evidenced the CMF set up in the CFS for the Arboriculture Services. The standard documentation adopted by contract managers was set up in the relevant contract folder but none of the monthly templates had been populated.</p> <p>It was acknowledged that given the timeframe of this contract and the imminent termination it was not timely to adopt new routines and record keeping. However the framework offers a standard to collate data to monitor and manage the contract.</p> <p>As shown in the findings of this audit the contract management demonstrated at the time the audit, and possibly in previous years, did not offer the robust controls, scrutiny and challenge demanded by the contracts in Environment.</p> <p>At the initial audit meeting with the ISM and the Performance and Quality Management Assurance Officer, the KPI's were discussed. The 6 KPI's uploaded to the CMF were:-</p> <ul style="list-style-type: none"> <li>• Contract monitoring – every month a list of all overdue</li> </ul>	<p>Contract management and monitoring may not meet the required standard and data may not be collected and collated in a manner to support management of the contract.</p>	<p><b>The CMF should be adopted for the management of the new contract commencing in April 2019</b></p> <p><b>During the course of a contract KPI's may be amended, deleted or replaced. These changes should be managed through a Change Control Notice to ensure both parties agree to the changes.</b></p>

Page 96

Project Code: ECS/7/2018/AU

**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
9 cont	<p>works with a reason</p> <ul style="list-style-type: none"> <li>Contract management - the number of defaults and rectifications issued in a month</li> <li>Emergency Works – a list of all call outs including time of notification and attendance on site.</li> <li>Customer Services – public complaints</li> <li>Health and Safety – a list of all reportable incidents</li> <li>Staffing – to include recruitment and turnover.</li> </ul> <p>It was not clear if these were the original KPI's when the contract commenced in 2008. It was thought that these KPI's had been revised recently but this was not supported by a variation to contract. It was acknowledged that the original documentation would have been held by the previous Services Manager who left the Authority in August. The ISM agreed to evidence the original KPI's but this request for information is outstanding and given the limited time left until the end of contract timeframe has not been pursued by Audit.</p> <p>However there is a finding for the new contract that any changes to KPI would be subject to a Change Control Notice.</p>	<p>Where KPI performance is not monitored and reported management may be unaware of the contractor's performance and the successful delivery of the agreed contract, terms and conditions.</p> <p>Inadequate record keeping and poor handover procedures when a key officer leaves the Authority may result in the loss of knowledge and evidence to support a contract.</p>	<p><b>When key staff leave the Authority, management should ensure that the workforce amendment to terminate IT access requests time limited access to Outlook to ensure business continuity.</b></p> <p><b>Going forward, all officers involved in contract management and monitoring to upload any documentation including e-mails to the relevant shared area.</b></p> <p><b>Priority 2</b></p>

Project Code: ECS/7/2018/AU

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

**Priority 2**  
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**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>A more general finding concerns the access to supporting documentation when key officers leave the Authority and the arrangements to handover information.</p>		
10	<p><b>Training – Confirm – Oracle</b></p> <p>During the course of the audit it was identified that the some of the audit findings stemmed from a lack of understanding about both ORACLE and Confirm. The handover notes inherited from the previous contract manager were informal and limited use. A greater understanding of both systems would benefit the officers responsible for contract management and monitoring.</p> <p>During the audit review, the system support team were requested to generate a series of reports from Confirm. These reports identified open orders and time specific jobs, 5 day and 28 day tasks, that had exceeded that timeframe.</p>	<p>The reporting capacity of the IT systems used to support the service may not be utilised if the officers do not have a good understanding and level of expertise for those systems.</p> <p>Historic processes may not be the optimum way to use the IT systems resulting in less effective working practices.</p>	<p><b>The Department should identify the training needs for key staff in this service with regard to ORACLE and Confirm.</b></p> <p><b>The Team should utilise the information held on both systems and generate exception reports to support contract management and contract monitoring.</b></p> <p><b>Priority 2</b></p>

Page 98

Project Code: ECS/7/2018/AU

**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>Payment Process</b></p> <p>The Department intend to transfer the payment process for the arboriculture contract to the Performance and Business Support Team; this should be done immediately to address the issues raised in this audit review. All payment certificates should be accounted for and any gaps in the numerical sequence verified</p> <p>There should be sufficient detail on the invoice, as specified on the I-Proc order, to cross reference the payment to Confirm.</p> <p>The invoice should be processed and scanned with adequate</p>	1	<p>Invoices are currently sent directly to the exchequer contractor for payment. A payment certificate is generated on Confirm which then generates the current monitoring list for the Arboricultural Team to inspect.</p> <p>More can be done as a desktop exercise moving forwards (looking at photographs to make a professional judgement of whether a task has been completed in line with the specification). Random site inspections will be generated based on a risk approach.</p> <p>ISM to clarify with the Business Support Team what the invoice logging procedure will be and</p>	ISM	April 2019

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

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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
1 cont	<p>supporting documentation to support payment. For arboricultural services this will be the payment certificate.</p> <p>All communication with the contractor should be formalised and retained in a format and folder that can be accessed by appropriate officers.</p> <p>The Authority's accounts must reflect actual activity. When expenditure has been incurred on specific jobs (outside of the main "trees maintenance" code) the correct expenditure head must be allocated to the I-Proc order so that the invoice total can be distributed correctly.</p>		<p>ensure that this is suitably documented.</p> <p>The ISM will provide a copy of the payment certificate from CONFIRM to act as verification of the invoice value. This certificate contains details of the job numbers and values. This will be checked by the Business Support Team.</p>	ISM	April 2019

Project Code: ECS/7/2018/AU

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

**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
1 cont	The ISM should liaise with Finance to action corrective journal transfers for invoices paid since September 2018.		Finance has reallocated all previous orders to the correct cost codes.	ISM	Completed

**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
2	<p><b>Open Orders and Confirm</b></p> <p>The open orders report generated from Confirm should be used to complete the monthly contract management of this contract.</p> <p>The Department should liaise with Finance and the IT System Administrator to develop a suite of reports that would help the ISM to identify problems at the earliest opportunity and take remedial action.</p> <p>The Department will need to complete the process to clear open orders or resolve what action is to be taken to unmatched open orders showing in Confirm at year</p>	1	<p>System errors within CONFIRM have led to this situation. The ISM is working with the IT contractor to resolve this and clear all outstanding open orders from the system.</p> <p>The IT engineers will go through the system to remove all old orders outstanding in Oracle that are completed as paid within CONFIRM.</p>	ISM	Beginning of July 2019

Project Code: ECS/7/2018/AU

**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 cont	<p>end and contract end</p> <p>The Department will need to authorise that the open orders in Confirm that have been matched to ORACLE invoices can be cancelled</p> <p>The Confirm System Administrator should be requested to review and evaluate how these open orders remained in Confirm after the invoices were paid and assurance that any system anomalies have been addressed.</p> <p>The payment process to account for the payment certificates in sequential order.</p>				

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	<p><b>Monitoring the contract</b></p> <p>Performance monitoring of work completed should be completed before the corresponding payment is processed.</p> <p>The ISM will need to verify if the rectifications/defaults identified in the audit were followed up with the contractor. If not the default notices must be issued before the end of the financial year and end of the contract.</p> <p>The ISM should review the monitoring spreadsheets with a view to issuing default and recovering the penalty fee due.</p>	1	<p>ISM will ensure (as per above) that monitoring of the works undertaken is completed prior to payment of invoices. The completed monitoring spreadsheet (filtered by risk) will be uploaded monthly to the CFS and will be used by the Business Support Team and the ISM as part of the Performance Management Framework to apply any deductions to payment as a result of underperformance</p>	<p>ISM to work with Performance Management Team to implement PMF as part of new contract.</p>	June 2019

Project Code: ECS/7/2018/AU

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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
3 cont	The procedures for monitoring to be reviewed to ensure that the planned coverage is achievable and representative. All inspectors to be to comply with performance monitoring within the timeframe allocated by management and recording results in the agreed format.				
4	<b>Defaults</b> The Service Manager should ensure that the financial elements of the contract are reviewed and implemented, specifically uplifts to default and rectification charges.	1	Commencement from new contract as of 01.04.19 will resolve this issue as the defaults process is changing as part of the new PMF.	ISM is applying defaults to the March 2019 payment to service provider.	April 2019

Project Code: ECS/7/2018/AU

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4 cont	<p>The default procedure should be reviewed. All monitoring officers should be reminded of the need to comply with default/rectification process; following agreed reporting, recording and charging procedures.</p> <p>The Service Manager should be aware of the number of defaults and rectification enforced with a view to accounting for and reconciling charges on the monthly invoice.</p> <p>As a key performance indicator, defaults should be considered at the monthly monitoring meetings. The meetings should reflect the volume of defaults, status,</p>		<p>Performance will be discussed in the monthly meeting as part of the new PMF and all decisions relating to deductions for poor performance will be clearly documented and uploaded to the CFS.</p> <p>As part of the 'old' contract, ISM will apply all defaults in line with monitoring payment for March 2019's final payment to the service provider.</p>		

Project Code: ECS/7/2018/AU

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4 cont	remedial action and financial charges.  Given the imminent termination of the contract, management should identify defaults as a priority and recover any financial value due to the Authority; the £50 penalties and the £6,357.86 potential overpayment for jobs “not completed.”				

Project Code: ECS/7/2018/AU

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	<p><b>Contract Documents</b></p> <p>When uploading documents to the database and the NMCFS the officer should ensure that the documents are complete.</p>	2	<p>Resource has been assigned to the Neighbourhood Management Team to undertake checks of all contract documentation held on the CDB and CFS to ensure this is complete. A Business Support Officer from the Business Support team has been tasked with this project and a report is expected to be presented to ECS DMT outlining progress during Q1 2019.</p>	<p>Interim Arboriculture Manager (ISM) to work with Business Support Officer (BSO) to ensure this is completed for Arboriculture contracts.</p>	<p><b>June 2019</b></p>

Project Code: ECS/7/2018/AU

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
6	<p><b>One Bromley – Team Sites</b></p> <p>In line with other Environment contracts, documentation should be held within the NMCFS, compliant to the standard format developed by the Department. Relevant information relating to the Arboricultural Service should be transferred from the Trees and Woodlands team site, specifically the procedure notes and performance monitoring information.</p> <p>Information held on this site should be updated regularly to ensure accurate information is available for all users.</p>	2	<p>This task will be taken forward by the Business Support section through consultation with the ISM. ISM will undertake a review of the retention of the information on the Trees and Woodlands site and will arrange access to the CFS for all appropriate officers in the team.</p>	<p>ISM to arrange to provide access to the Business Support Officers via the Senior Performance Officer.</p>	<p><b>June 2019</b></p>

Project Code: ECS/7/2018/AU

**Priority 1**  
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**Priority 2**  
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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
7	<p><b>Procedure Notes</b></p> <p>The procedure notes should cover all aspects of the administrative and financial management of the Arboricultural Service.</p> <p>The procedures should include sufficient detail to allow business continuity.</p> <p>Procedure notes should be owned and dated with a revision date embedded in the document footer.</p> <p>Responsibility should be assigned to review procedures currently held on the team site and archive or delete out of date procedures.</p>	2	<p>The procedures are currently being reviewed and updated.</p> <p>Financial Procedures will be delivered in conjunction with the Business Support team as part of the new contract so will be reviewed in partnership with that team to ensure that all parties have a clear understanding of the procedures and responsibilities moving forwards.</p> <p>The review of the procedure notes will be overseen by the Head of Performance Management and Business Support and the Interim Quality Assurance Manager.</p>	ISM to re-draft procedure notes for discussion with the Business Support Team.	June 2019

Project Code: ECS/7/2018/AU

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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
8	<p><b>Contract Monitoring Minutes</b> The contract monitoring meetings minutes should conform to an agreed standard and detail.</p> <p>Documents discussed at the meeting should be referenced to allow an adequate audit trail.</p> <p>Standard items should be noted as “no discussion” and state the reason. Similarly “nil returns” to be minuted for completeness.</p> <p>The minutes should not include vague references; any points that the minute taker is unclear about should be verified before issue.</p>	2	Contract Meeting Minutes now conform to an agreed standard and level of detail.	ISM and Business Support	Complete

Project Code: ECS/7/2018/AU

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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
9	<p><b>Use of the Contract Monitoring Framework (CMF)</b></p> <p>The CMF should be adopted for the management of the new contract commencing in April 2019</p> <p>During the course of a contract KPI's may be amended, deleted or replaced. These changes should be managed through a Change Control Notice to ensure both parties agree to the changes.</p> <p>When key staff leave the Authority, management should ensure that the workforce amendment to terminate IT access requests time limited access to Outlook to ensure business continuity.</p>	2	<p>The CMF has already been applied to the 'old' contract and training has been provided to the ISM. Support is being delivered by the Business Support Team who are responsible for administering the CFS in line with the CMF.</p> <p>The ISM is fully aware of the CCN procedure and this has been clearly set out as part of the contract documentation for the new provider from April 2019.</p> <p>Workforce Amendment Requests have been submitted to IT to terminate the Outlook accounts of all staff that have now left LBB (in addition to active licences being revoked for the use of CONFIRM).</p>	ISM is already adhering to the CMF and the team are aware of the requirements.	Complete

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>Going forward, all officers involved in contract management and monitoring to upload any documentation including e-mails to the relevant shared area.</p>		<p>ISM will ensure that all relevant contract discussions that are undertaken via email (outside of the regular contract meetings) are saved to the CFS.</p>		

Project Code: ECS/7/2018/AU

**Priority 1**  
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**Priority 2**  
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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
10	<p><b>Training – Confirm – Oracle</b></p> <p>The Department should identify the training needs for key staff in this service with regard to ORACLE and Confirm.</p> <p>The Team should utilise the information held on both systems and generate exception reports to support contract management and contract monitoring.</p>	2	ISM has investigated training opportunities with Learning and Development and will ensure the team are suitably up to date. However, given the involvement in future with the Business Support Team in payments (and budget monitoring) there is now less of a requirement for the Arboricultural team to utilise these systems on a regular basis.	ISM	May 2019

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Required to address issues which do not represent good practice

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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.

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**FINAL INTERNAL AUDIT REPORT**  
**ENVIRONMENT AND COMMUNITY SERVICES**

**AUDIT REVIEW OF TOTAL FACILITIES MANAGEMENT**

**Issued to:** Colin Brand, Director of Regeneration  
Mike Watkins, Head of Asset and Investment Management  
Cathy Pimm, Senior Property Manager  
Andy Champion, Facilities and Support Client Services Manager  
Claire Martin, Head of Finance ECS and Corporate

**Cc:** Nigel Davies, Executive Director of ECS (final only)

**Prepared by:** Senior Internal Auditor, (Audit contractor on behalf of London Borough of Bromley) and Principal Auditor

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

**Date of Issue:** 26 April 2019

**Report No.:** ECS/08/2017/AU

## REVIEW OF TOTAL FACILITIES MANAGEMENT

### INTRODUCTION

1. This report sets out the results of our systems based audit of Total Facilities Management. The audit was 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 London Borough of Bromley has a Facilities Management (FM) contract with Contractor 'A' which is for five years and began on 1 October 2016.

### AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 9 May 2018.

### AUDIT OPINION

5. 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

6. Controls noted to be in place and working well, based on the sample testing conducted, included:
  - Key contractual documents for the contract between the Council and Contractor 'A' were in place.
  - Reporting lines for the Contractor 'A' contract were documented and up to date.
  - A Service Operations Board (SOB) and a Strategic Partnership Board (SPB) were in place and met quarterly and bi-annually respectively. Minutes were taken for both meetings.
  - Monthly monitoring reports were being provided by Contractor 'A' to the Council and, where performance issues had arisen, these were discussed.

## REVIEW OF TOTAL FACILITIES MANAGEMENT

- Where performance had not been achieved as expected, the Council had taken action to impose penalties upon Contractor 'A'.
- Focus groups were held with departments where complaints and issues could be discussed with Contractor 'A'.
- Budget monitoring meetings take place and any issues identified are noted and dealt with appropriately.

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

- No evidence was provided to verify that the roles and responsibilities of the SPB and SOB had been reviewed on an annual basis as per Schedule 11 of the FM contract.
- There was no evidence to support that the Partnership Charter had been agreed.
- The last two SPB meetings were held on January 2018 and September 2018, more than 6 months apart.
- There was no evidence of formal approval by the Director of Regeneration for the boiler and heating works costing over £60,000.
- Spot checks were not being undertaken by the Council on works undertaken by Contractor 'A'.
- A customer satisfaction survey for Contractor 'A' and Contractor 'B' was not in place.
- The complaints process was not clear to all officers and the Bromley website made reference to an officer no longer working at the Council.
- The contract between the Council and Contractor 'A' had not been updated to be fully Data Protection Act (DPA) 2018 / General Data Protection Regulations (GDPR) compliant.
- The invoice checking procedure included officer names instead of roles and did not detail the date it was produced, the review date, any version history or the officer responsible for maintaining the procedure.
- The invoice checking procedure did not align with how invoices were being checked and processed.
- Invoice amounts from Contractor 'A' did not include all costs and therefore provisions had to be made / estimated.
- Lessons learned exercises were not being completed after capital projects.

### SIGNIFICANT FINDINGS (PRIORITY 1)

7. There are no Priority 1 recommendations identified in this report.

## REVIEW OF TOTAL FACILITIES MANAGEMENT

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

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**DETAILED FINDINGS**

**APPENDIX A**

No.	Findings	Risk	Recommendation
1	<p><b><u>Roles and Responsibilities</u></b></p> <p>Schedule 11 of The Facilities Management (FM) contract details that, <i>‘The Parties recognise that the governance arrangements and structures set out this Schedule 11 as at this Agreement Date will need to be reviewed regularly throughout the Contract Period to ensure that they remain appropriate and workable.</i></p> <p><i>The provisions and requirements of this Schedule 11 shall be reviewed on an annual basis by the Strategic Partnership Board and may be varied or amended from time to time by agreement between the Service Provider and the Customer.’</i></p> <p>No evidence was provided to verify that a review had taken place by the SPB of the roles and responsibilities of either the SOB or SPB to verify that the terms of reference in Schedule 11 of the contract documents were still accurate.</p>	<p>Where Schedule 11 of the contract documents is not annually reviewed as required, there is a risk that this does not accurately represent the up to date roles and responsibilities of both the SPB and the SOB, which may result in gaps in actions being undertaken and/or decisions not being made by the correct boards.</p>	<p>The roles and responsibilities of the SOB and SPB should be reviewed as per Schedule 11 of the approved TFM contract documents.</p> <p><b>(Priority 2)</b></p>
2	<p><b><u>The Partnership Charter</u></b></p> <p><i>In Schedule 11 of the Contractor ‘A’ contract, 2.5.1 for the SPB it details that, ‘At the inaugural meeting to agree a protocol (“the Partnership Charter”), which shall be a declaration agreed by the Parties of the principles, objectives and priorities of the Strategic Partnership Board....’</i></p> <p>There was no evidence in the SPB minutes examined, or</p>	<p>Where the ‘Partnership Charter’ is not agreed, there is a risk that the principles, objectives and priorities of the SPB have not been appropriately agreed.</p>	<p>The ‘Partnership Charter’ should be agreed as soon as possible.</p> <p><b>(Priority 2)</b></p>

## REVIEW OF TOTAL FACILITIES MANAGEMENT

### DETAILED FINDINGS

### APPENDIX A

No.	Findings	Risk	Recommendation
	<p>otherwise, that a 'Partnership Charter' (or protocol) had been agreed.</p>		
3	<p><b><u>Frequency of SPB Meetings</u></b></p> <p>Schedule 11 section 2.11 of the Contractor 'A' contract details that, '<i>The Strategic Partnership Board shall meet at least every six (6) months and at such shorter periods as agreed by the Parties save that in the first twelve (12) months from the Agreement Date the Strategic Partnership Board shall meet every quarter.</i>'</p> <p>The SPB meeting minutes were provided by the Service Property Manager (SPM). There was a SPB meeting held on the 18 January 2018 and another on the 27 September 2018. The two meetings being more than 6 months apart.</p>	<p>Where SPB meetings are not held as frequently as per the contract, there is a risk that appropriate oversight is not in place.</p>	<p>The SPB should meet as per Schedule 11 of the contract (or an alternate meeting frequency should be formally agreed).</p> <p><b>(Priority 2)</b></p>
4	<p><b><u>Approval of Works</u></b></p> <p>The Council's Financial Procedure 'Authorisation Limits' paragraph 5.5 detail the approval limits to be applied for all orders raised via i-proc and any certification requirements.</p> <p>A list of capital programme works undertaken was provided by the SPM. One of the capital programme works undertaken was boiler and heating works with an estimated value of £60,000, (as estimated by Contractor 'A'). Contractor 'A' reported that works were required and without the works heating could not be guaranteed for another winter.</p>	<p>Where approval is not documented, there is a risk that appropriate approval cannot be evidenced and that costs and works are not as approved.</p>	<p>Appropriate approval for all capital programme works in line with the Council's Financial Procedures should be properly documented and those works should be monitored to ensure that any overspend is identified and appropriate action is taken.</p>

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**DETAILED FINDINGS**

**APPENDIX A**

No.	Findings	Risk	Recommendation
	<p>Discussion with the SPM determined that a number of emails had been exchanged and that agreement for the works was discussed with the client team with approval to go ahead with the boiler works being verbally given by the Director of Regeneration.</p> <p>As at November 2018, there was an overspend of £4k on the boiler and heating works. The SPM explained that she would review the spend and the process used by Contractor 'A' once the full work was completed as, although the programme is marked as complete on the spreadsheet provided, costs were still being charged to the project.</p>		<p><b>(Priority 2)</b></p>
5	<p><b><u>Works undertaken by Contractor 'A'</u></b></p> <p>On a daily basis Contractor 'A' undertake planned works and reactive works.</p> <p>Discussion with the SPM advised that checks were not being undertaken on the works completed by Contractor 'A'. The SPM explained that this was because:</p> <ul style="list-style-type: none"> <li>The Council staff are not specialists in the work completed (as these staff were all transferred to Contractor 'A') and cannot therefore accurately report on whether the work completed is correct;</li> </ul>	<p>Where works undertaken by Contractor 'A' are not subject to appropriate checks, there is a risk that the Council pay for works inappropriately invoiced or which have not been carried out to the standard required.</p>	<p>Pro-active measures, such as spot checks, should be in place to verify whether the work invoiced has been completed to a satisfactory standard.</p> <p><b>(Priority 2)</b></p>

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**DETAILED FINDINGS**

**APPENDIX A**

No.	Findings	Risk	Recommendation
	<ul style="list-style-type: none"> <li>It is not possible to check all works undertaken with the current resources the Council has, and</li> <li>The Council rely on the originating complaints officer to make a second complaint if the original identified issue is not remedied.</li> </ul>		
6	<p><b><u>Customer Satisfaction Survey</u></b></p> <p>A customer satisfaction survey would help to assess whether staff are happy with works that have been undertaken by Contractor 'A'. Customer surveys also help provide assurance whether the required works have been completed and whether these are to an appropriate standard.</p> <p>The November SOB meeting minutes, point 1.6 noted that no satisfaction survey had taken place and that this was subsequently due to take place in December 2018. Discussion with the SPM identified that Contractor 'A' now has a methodology in place for the survey, but discussion was still underway to determine exactly how Contractor 'B' will undertake their customer surveys.</p>	<p>Where a customer satisfaction survey is not in place, there is a risk that the Council are not assured that customers are happy with the services being provided by Contractor 'A' and subsequently Contractor 'B'. The opportunity to learn lessons from customer experience is not taken.</p>	<p>A Customer Satisfaction Survey should be put in place as soon as possible.</p> <p><b>(Priority 2)</b></p>

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**DETAILED FINDINGS**

**APPENDIX A**

No.	Findings	Risk	Recommendation
7	<p><b><u>Complaints</u></b></p> <p>Complaints help to identify any repeated issues to the Council or any new identified issues that have emerged with regards to facilities.</p> <p>The Council’s intranet references an officer, to whom complaints can be forwarded for any issues identified with the contractor. This officer, however, left the Council six or seven years ago. The SPM explained that they are currently working on removing this officer’s details, having already contacted IT; however, the issue is yet to be resolved.</p> <p>The SPM also explained that, on commencement of the contract, officers were emailed to advise them that where officers wanted to make complaints using the Council’s procedure, that these could instead be raised directly via Contractor ‘A’. Complaints are reported by the contractor on a monthly basis via performance reports.</p> <p>It is accepted that there is a difference between service issues and complaints. However, while service issues should be communicated directly to the contractor, complaints should be reported via the Council, so that the Council can properly monitor these. It is acknowledged that focus groups are also in place, where any issues can be directly discussed with</p>	<p>Where there is ambiguity regarding how complaints can be made about work carried out, there is a risk that not all complaints will be documented or realised.</p>	<p>The Bromley intranet page should be updated to ensure that staff can raise and direct complaints appropriately to the Council’s TFM Client Team and staff should be reminded of the complaints process.</p> <p><b>(Priority 2)</b></p>

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**DETAILED FINDINGS**

**APPENDIX A**

No.	Findings	Risk	Recommendation
	Contractor 'A'.		
8	<p><b><u>GDPR / DPA 2018</u></b></p> <p>Where the Council works with contractors, the Council is responsible for ensuring that the contractor is compliant with the Data Protection Act 2018 (DPA 2018) /General Data Protection Regulation (GDPR) requirements.</p> <p>Although a Privacy Impact Assessment was completed for the Contractor 'A' contract, no other evidence was available of the Contractor 'A' contract being amended to ensure that it is compliant with the DPA 2018/GDPR.</p> <p>Examination of the TFM contract confirmed that this did include the 'Protection of personal data' and 'Customer data' in sections 16 and 17 respectively. However, these sections did not, for instance, detail what would happen should a data breach occur or for how long data would be retained.</p>	<p>Where the contract between the Council and the contractor, Contractor 'A' has not been amended to be in line with the DPA 2018/GDPR rules, there is a risk that the Council is non-compliant and could face a fine from the Information Commissioner's Office as well as reputational damage.</p>	<p>The contract should be revisited to confirm that it is compliant with the DPA 2018/GDPR legislation.</p> <p><b>(Priority 2)</b></p>

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**DETAILED FINDINGS**

**APPENDIX A**

No.	Findings	Risk	Recommendation
9	<p><b><u>Invoice Checking Procedure</u></b></p> <p>Procedures should be sufficiently detailed to ensure that these reflect current methodology and to help ensure staff can undertake their designated roles as expected.</p> <p>The 'Invoice Checking Procedure' was provided by the SPM, which details how invoices are to be checked prior to payments made and purchase orders raised. However, examination of the 'Invoice Checking Procedure' identified that it did not align to how invoices were processed, nor was it sufficiently detailed so that a staff member could follow all the stages. For example, the procedure details that the purchase order is raised and approved after the invoice has been receipted. In practice, this is not the case and the Council receive a breakdown of all works the contractor is planning on billing before the invoices are raised. This enables the Council to check the amounts and raise a purchase order before the actual invoice is raised.</p> <p>In addition, point 2 in the procedure includes a documented name to send invoices to for checking. If this officer were to change, staff will not know who to send invoices to. There is also no date on the procedure, no review date, nor is it clear who the responsible officer is for the updating and maintenance of the procedure.</p>	<p>Where appropriate procedure notes are not in place, there is a risk that staff do not adhere to required practices.</p>	<p>The 'Invoice Checking Procedure' should be updated to be sufficiently detailed and reflect the current invoice checking methodology in place.</p> <p>The 'Invoice Checking Procedure' should include job titles only and should include a date of creation, date of review and which officer (job title) is responsible for ensuring the procedure is up to date.</p> <p><b>(Priority 2)</b></p>

## REVIEW OF TOTAL FACILITIES MANAGEMENT

### DETAILED FINDINGS

### APPENDIX A

No.	Findings	Risk	Recommendation
10	<p><b><u>Incomplete Contractor 'A' Invoices</u></b></p> <p>Discussion with the Head of Finance ECS advised that Contractor 'A' are not invoicing the Council in line with expectations. For example, it was explained that provisions have had to be made as Contractor 'A' had not billed for all costs such as Contractor 'B' (the sub-contractor of Contractor 'A') superannuation.</p> <p>Comparison of the spreadsheet used by the Head of Finance ESD to monitor costings to the invoices on Contractor 'A' found that it was difficult to match these.</p> <p>The Head of Finance ECS further advised that meetings have been held with Contractor 'A' to try and rectify this issue. The minutes of the SOB meeting held on 21 November 2018 confirm this.</p>	<p>Where invoices do not match expectations, there is a risk that the Council is unaware of their full financial position, which could result in the over or underspend of the budget.</p>	<p>The Council should try to ensure that Contractor 'A' invoice them in line with expectations and where not a suitable explanation is given.</p> <p><b>(Priority 2)</b></p>
11	<p><b><u>Lessons Learned</u></b></p> <p>Lessons learned exercises do not take place after completion of projects to help identify areas that worked well and not so well. This information can then be fed into future projects so good performance can be continued and poor performance can be amended.</p> <p>Discussion with the SPM identified that a work in progress</p>	<p>Where a lessons learned exercise is not in place, there is a risk that any issues identified with the project are not identified and corrective actions put in place for projects going forwards.</p>	<p>Lessons learned exercises should be put in place at the end of each project undertaken. Consideration should be put in place as to whether interim lessons learned exercises should also be put in place.</p>

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**DETAILED FINDINGS**

**APPENDIX A**

No.	Findings	Risk	Recommendation
	<p>(WIP) tracker is maintained for any capital projects that are undertaken by Contractor 'A'. Once a project is complete, the project will be marked as such on the completed tab of the WIP tracker. The SPM advised that there was not a lessons learned exercise that takes place, but they are hoping to implement one soon as part of the regeneration programme.</p>		<p><b>(Priority 2)</b></p>

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**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	The roles and responsibilities of the SOB and SPB should be reviewed as per Schedule 11 of the approved TFM contract documents.	2	Agreed. A Schedule 11 review was initiated at the SPB held in February. It will be reported and agreed at the next meeting in June and thereafter reviewed annually.	Head of Asset and Investment Management	30 June 2019
2	The 'Partnership Charter' should be agreed as soon as possible.	2	Agreed. A Partnership Charter will be drafted and ratified at the SPB meeting in June and thereafter reviewed annually.	Head of Asset and Investment Management	30 June 2019
3	The SPB should meet as per Schedule 11 of the contract (or an alternate meeting frequency should be formally agreed).	2	Agreed. Meetings are now being diarised annually and are programmed to take place on 5/2/19 (rearranged from 23/1/19 at contractor's request) and on 26/6/19.	Head of Asset and Investment Management	Implemented
4	Appropriate approval for all capital programme works in line with the Council's Financial Procedures should be properly documented and those works should be monitored to ensure that any	2	Agreed. The auditor has highlighted one project, which related to planned maintenance of a boiler. The budget for this had been agreed but a variation for additional work was then required,	Senior Property Manager	Implemented

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**MANAGEMENT ACTION PLAN**

**APPENDIX B**

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	overspend is identified and appropriate action is taken.		increasing the overall cost by approximately £4,000. This further cost was discussed and agreed with the Director of Regeneration orally but, inadvertently, was not recorded in writing. We will ensure from now on that agreement is documented for all variations to project costs.		
5	Pro-active measures, such as spot checks, should be in place to verify whether the work invoiced has been completed to a satisfactory standard.	2	<p>Agreed in principle but resources are not available to implement this.</p> <p>Contractor 'A' completes approximately 200-400 reactive and planned preventative maintenance tasks each month. The client team is a thin client and does not have the capacity or expertise to carry out spot checks on the quality of the work undertaken. We are however currently exploring the robustness of the quality assurance procedures which Contractor 'A'</p>	Senior Property Manager	30 June 2019

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**APPENDIX B**

**MANAGEMENT ACTION PLAN**

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			<p>carries out.</p> <p>Monitoring takes place by checking a sample of tasks in Contractor 'A's database as part of the monthly invoice checking. Where we identify anomalies in tasks carried out they are challenged and appropriate action is taken, including amending the invoice cost or obtaining credits.</p> <p>There is also "self- monitoring" set up under the contract, i.e. focus groups with representatives from each department, notifications to task reporters via Contractor 'A's Helpdesk and via the QA procedure currently under discussion with Contractor 'A'.</p>		

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**APPENDIX B**

**MANAGEMENT ACTION PLAN**

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
6	A Customer Satisfaction Survey should be put in place as soon as possible.	2	<p>Agreed. It was agreed with the Client Team that the Customer Satisfaction Survey due on the first anniversary of the contract would be deferred due to the lengthier than anticipated transition period due to the existence of a number of LBB legacy contracts that were still running for maintenance and cleaning.</p> <p>That period has ended and the survey has now started. Results are being reported via the monthly monitoring report that the contractor provides at the SOB meetings. The first report was made on 16 January 2019 and will continue to be a monthly commitment. Contractor 'A' has been asked for more detail ie what they have done to resolve the issue and which focus groups and individuals have been contacted.</p>	Head of Asset and Investment Management	Implemented

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**MANAGEMENT ACTION PLAN**

**APPENDIX B**

<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>
7	The Bromley intranet page should be updated to ensure that staff can raise and direct complaints appropriately to the Council's TFM Client Team and staff should be reminded of the complaints process.	2	Agreed. The Client Team has been advised by IT that it can only make some limited changes to the text on the site until the Sharepoint environment is up-graded. IT Services will be requested to delete out of date content. In the meantime consideration will be given to setting up a generic email address and for a circular to be sent to all staff to remind them of contact details.	Senior Property Manager	30 April 2019
8	The contract should be revisited to confirm that it is compliant with the DPA 2018/GDPR legislation.	2	Agreed. As instructed by the Legal Department, a Letter of Variation was sent to Contractor 'A' on 21 May 2018. They have responded with a variation to the terms of the contract and this is currently being reviewed by Legal Services.	Senior Property Manager	30 June 2019

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**APPENDIX B**

**MANAGEMENT ACTION PLAN**

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
9	<p>The 'Invoice Checking Procedure' should be updated to be sufficiently detailed and reflect the current invoice checking methodology in place.</p> <p>The 'Invoice Checking Procedure' should include job titles only and should include a date of creation, date of review and which officer (job title) is responsible for ensuring the procedure is up to date.</p>	2	<p>Agreed. The invoice checking procedure was initially set up as an aide memoire for the Client Team.</p> <p>The procedure will be revised in line with the recommendations.</p>	Senior Property Manager	30 April 2019
10	<p>The Council should try to ensure that Contractor 'A' invoices them in line with expectations and where not, a suitable explanation is given.</p>	2	<p>Agreed. The Client Team have repeatedly communicated with the contractor regarding late submission of invoices, failure to invoice in a timely manner for additional works carried out by Contractor 'B' and failure to submit superannuation top up amounts. The situation has improved recently and will continue to be</p>	Head of Asset and Investment Management and Senior Property Officer	30 June 2019

**REVIEW OF TOTAL FACILITIES MANAGEMENT**

**MANAGEMENT ACTION PLAN**

**APPENDIX B**

<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>
			monitored.		
11	Lessons learned exercises should be put in place at the end of each project undertaken. Consideration should be put in place as to whether interim lessons learned exercises should also be put in place.	2	Agreed. Lessons learned will be formally implemented as part of the Regeneration Programme for Capital Projects and as part of the WIP tracker for small works.	Senior Property Manager	30 June 2019

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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## **FINAL INTERNAL AUDIT REPORT**

### **ENVIRONMENT & COMMUNITY SERVICES DEPARTMENT**

#### **REVIEW OF TRAFFIC & ROAD SAFETY PROCUREMENT AUDIT FOR 2018-19**

**Issued to:** David Bond, Transport Strategy & Project Manager,  
Angus Culverwell, Assistant Director, Traffic & Parking,  
Garry Warner, Assistant Director, Highways,  
Sarah Foster, Head of Performance & Business Support,

**Cc** Claire Martin, Head of Finance, Corporate & ECS,  
Nigel Davies, Executive Director, ECS (Final Only)

**Prepared by:** Principal Auditor

**Date of Issue:** April 30<sup>th</sup> 2019

**Report No:** ECS/4/2018/AU

## REVIEW OF TRAFFIC & ROAD SAFETY PROCUREMENT AUDIT 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Traffic & Road Safety Procurement Audit for 2018/19. The audit was carried out in quarter 4 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. An independent Road Safety Audit (RSA) is an evaluation to identify road safety hazards to suggest measures to eliminate or mitigate these which arise from planned changes to the road layout. The Road Safety Audits should consider the road safety issues for all road users.
4. In relation to budget monitoring the road safety audits are linked to a project code under the capital monitoring programme. All associated costs sampled for testing were verified.

### AUDIT SCOPE

5. The scope of the audit was outlined in the Terms of Reference issued on 28/11/18 for completion in quarter 4.

### 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.

## REVIEW OF TRAFFIC & ROAD SAFETY PROCUREMENT AUDIT 2018-19

### MANAGEMENT SUMMARY

7. Our testing identified the following issues which we would like to draw to management's attention:-
- Value for money should be reviewed periodically as the provision of road safety arrangements since July 2018 under the new arrangements with the new contractor, seem to have increased in cost. There are only a small number at present commissioned this way, which may mean it is too early to draw any meaningful conclusion.
  - The procedure note for the procurement of road safety audits was found to be undated did not reflect the new arrangements since July 2018 and there was no review date.
  - The value of the Change Control Notice (CCN2) should be clearly stated for each of the items included within the professional services element. It should be noted that the majority of CCN2 relates to other service areas and only a small proportion represents road safety audits and other small scale support services procured by the Traffic & Road Safety Team.

### SIGNIFICANT FINDINGS (PRIORITY 1)

8. There are no significant findings.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

### ACKNOWLEDGEMENT

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p><b><u>Value for Money</u></b></p> <p>Road Safety Audits were sampled for the period June to September 2018.</p> <p>The Major Highway Works Contract commenced on 1/7/18. Road Safety Audits and other small scale support services were also requested under the new arrangements with Contractor A as part of their Professional Services offer.</p> <p>It was confirmed by the Transport Strategy &amp; Projects Manager, that only one audit has been carried out under the new arrangements so far and there is no formal invoice as they will go through the Confirm system with each audit being charged to the respective cost codes.</p> <p>Email correspondence from officers; refer to the quoted cost of the audits under this arrangement being more expensive than the previous approach via ProContract. For example, a typical road safety audit of circa £500 is now being quoted as an average of £889. It is acknowledged that this is based on a very small sample, which may mean that a meaningful conclusion cannot be drawn at this time.</p>	<p>Value for money may not be achieved.</p>	<p><b>Management should periodically review value for money in respect of the new arrangements with colleagues in Procurement.</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><u>Procedures</u></b></p> <p>A procedure note for the procurement of road safety audits was provided to the auditor. The document remains undated and has no review date.</p> <p>The procedures do not reflect the new arrangements which came into effect from January 2019.</p>	<p>Staff may be operating to different working practices.</p>	<p><b>Procedures should be dated, updated to reflect current arrangements and have a review date.</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
3	<p><b><u>Change Control Notice (CCN2)</u></b></p> <p>CCN2 for Highways Engineering Consultancy Services included the effective date of 28/12/18 but does not clearly state the financial values of the change control within the completed form.</p> <p>CCN2 was completed partly in respect of the professional services which includes road safety audits.</p> <p>It was confirmed by the Highway Asset Manager ‘the volume of work ordered via the professional services element of the Major Works Contract 2018 will depend on available budgets over the remaining duration of the contract. It has therefore only been possible for an estimated total value of CCN2 to be calculated, which is £3m’.</p> <p>It should be noted that the majority of CCN2 relates to other service areas and only a small proportion represents road safety audits and other small scale support services procured by the Traffic &amp; Road Safety Team.</p>	<p>Monitoring of the financial impact of the CCN may be problematic.</p>	<p><b>The value of the CCN should be clearly stated for each of the items included within the professional services element.</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**

**REVIEW OF TRAFFIC & ROAD SAFETY PROCUREMENT AUDIT 2018-19  
MANAGEMENT ACTION PLAN**

**APPENDIX B**

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p><b><u>Value For Money</u></b></p> <p><b>Management should periodically review value for money in respect of the new arrangements with colleagues in Procurement.</b></p>	2	<p>It may be too early in the new contract to gauge the average cost of a RSA as costs vary with the complexity of each scheme. Also we must consider the whole cost including the opportunity cost in respect to staff time to procure RSAs. Current costs have already been taken up with the term contractor, and bundled RSAs may elicit cheaper average costs. Discussions will also take place with the term contractor about the use of SMEs, which may provide better value.</p> <p>The costs should be reviewed after a period of 18 months.</p>	<b>Transport, Strategy &amp; Projects Manager.</b>	<b>July 2020</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

**REVIEW OF TRAFFIC & ROAD SAFETY PROCUREMENT AUDIT 2018-19  
MANAGEMENT ACTION PLAN**

**APPENDIX B**

<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>
2	<p><b><u>Procedures</u></b></p> <p><b>Procedures should be dated, updated to reflect current arrangements and have a review date.</b></p>	2	<p>The team are now working alongside the Performance Management and Business Support team to ensure that all procedures are documented. Part of this work will include a review of all current procedures to ensure they are correctly dated and that version control is maintained via the new Contract Filing System, with access made available to all relevant officers (who will also be made aware of the protocols for the site). A Designated Site Administrator has been appointed in ECS who will ensure protocols are followed and that review dates are adhered to.</p>	<p><b>Transport, Strategy &amp; Projects Manager, Head of Performance Management and Business Support.</b></p>	<p><b>May 2019</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**

**REVIEW OF TRAFFIC & ROAD SAFETY PROCUREMENT AUDIT 2018-19  
MANAGEMENT ACTION PLAN**

**APPENDIX B**

<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>
3	<p><b><u>Change Control Notice (CCN2)</u></b></p> <p><b>The value of the CCN should be clearly stated for each of the items included within the professional services element.</b></p>	2	In line with Contract Database requirements and the contract monitoring framework, the Highways contract manager will ensure that CCNs are appropriately documented.	<b>Assistant Director, Highways.</b>	<b>June 2019</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

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**

**PAYROLL EXPENSES 2018-19**

**Issued to:** Charles Obazuaye, Director of HR & Customer Services,  
Emma Downie, Head of HRIS & Reward,  
Claudine Douglas-Brown, Assistant Director, Exchequer Services,  
John Nightingale, Head of Revenues & Benefits,  
Peter Turner, Director of Finance, (Final Report Only),

**Cc** Head of Internal Audit,

**Prepared by:** Internal Auditor, (Mazars LLP).

**Date of Issue:** 26/02/19

**Report No:** CEX/12/2018/AU

## REVIEW OF PAYROLL EXPENSES FOR 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Payroll Expenses. 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.
3. The original scope of the audit was outlined in the Terms of Reference issued on 19<sup>th</sup> September 2018.
4. The Council is party to a service level agreement with Contractor A, where Contractor A processes the payments and changes to payroll on behalf of the Authority.

### 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:
  - All 10 of the sample of voluntary deductions covering the period March 2018 to October 2018 tested had appropriately completed permission forms;
  - There were seven statutory deductions covering the period March 2018 to October 2018, which were all correctly processed and deducted from the associated employee's pay;
  - Local Authority employees, teacher pay and pension tables were set up accurately within the payroll system;

## REVIEW OF PAYROLL EXPENSES FOR 2018-19

- Testing of a sample of 10 teachers' pension deductions confirmed that the deducted amounts reconciled back to the teachers' pension table;
- Supporting documentation was available to support all of the sample of 10 changes in bank details tested, covering the period March 2018 to October 2018;
- Testing of a sample of 20 employee claims for the period March 2018 to October 2018 confirmed that payments were only processed on receipt of duly completed claim forms and were authorised by the relevant budget holders. In addition, claim payment values were accurate according to pay schedule set up; and
- Testing of a sample of 10 amendments to pay scales for the period March 2018 to October 2018 confirmed that the changes were input by Human Resources and later checked and actioned by Contractor A as required.

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

- Starter forms for three of the sample of 10 new starters covering the period March 2018 until the date of the audit (November 2018) were not signed and dated by the employing manager;
- Testing of a sample of 10 new starter folders covering the period March 2018 until the date of audit testing, identified one employee contract that had been issued and then the salary later renegotiated. This salary negotiation resulting in a contract amendment letter being issued for the change in salary from £25,452 to £26,238. However, the contract amendment letter was not signed and returned to the Council by the employee. The payroll system had, however noted the change £26,238; and
- The Council has not updated its Equality Statement in line with the Equality Act 2010.

### SIGNIFICANT FINDINGS (PRIORITY 1)

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

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

## REVIEW OF PAYROLL EXPENSES FOR 2018-19

### ACKNOWLEDGEMENT

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

DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1.	<p><b><u>Starter Employment Forms</u></b></p> <p>Instruction to appoint forms are sent to HR from the authorising manager for new starters. The forms detail personal information in addition to the employees starting salary. HR then forward this information to Payroll, in order for the officer to be set up on the payroll system.</p> <p>A sample of 10 new starter 'instruction to appoint' forms was selected for testing covering the period March 2018 until October 2018.</p> <p>Three out of 10 of the 'instruction to appoint' forms were not signed and dated by the respective employment managers.</p>	<p>Where instruction to appoint forms are not properly completed by the employment manager, there is a risk information within that form has not been fully verified by the employing manager.</p> <p>In addition, there is a risk that there will be a delay in setting the employee up on the payroll system.</p>	<p>Instruction to Appoint forms should be verified and signed by the employing manager prior to being processed further.</p> <p><b>[Priority 2]</b></p>

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2.	<p><b><u>Contract Amendment Form</u></b></p> <p>Starter packs are in place for all new starters and include the starter’s contract and employment check documents.</p> <p>A sample of 10 new starter folders was obtained covering the period March 2018 until October 2018.</p> <p>It was found that for one employee, the contract and appointment letter detailed the employee’s salary to be £25,452. The payroll system, however detailed £26,238. It was established that the difference in salary amounts was due to negotiation after the initial contract was sent. A contract amendment letter was subsequently sent at the re-negotiated salary of £26,238. But, the re-negotiated contract amendment letter was not signed and returned by the employee.</p>	<p>Where an element in the contract has changed but the contract amendment form is not signed and returned, there is a risk to the authority if any disputes were to arise at a later date in time.</p>	<p>Ensure that employees sign and return all contract amendment forms.</p> <p><b>[Priority 2]</b></p>

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3.	<p><b><u>Equality Statement</u></b></p> <p>Public authorities are required to undertake their duties in line with the Equalities Act 2010. The general equality duty is set out in Section 149 which requires the public authority to state how it complies with the public sector equality statement. (This statement should be updated by the authority at least every four years).</p> <p>Examination of the Council’s Website found a link to the ‘Draft Council Equality Objective’ dated 2012, which is still draft and more than 4 years old. The objective statement for the Council was recorded as follows <i>‘Improved access and experience of Council Services for those users and residents who are from one or more of the protected groups’</i>.</p>	<p>Where the Council is non-compliant with Equalities Act 2010, it is at risk of fines. In addition, there is a risk of reputational damage to the Council for not providing equality to protected groups.</p>	<p>The draft Council Equality Objective should be updated, finalised and published as soon as possible.</p> <p><b>[Priority 2]</b></p>

REVIEW OF PAYROLL EXPENSES FOR 2018-19

APPENDIX B

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1.	<p><b><u>Starter Employment Forms</u></b></p> <p>Instruction to Appoint forms should be verified and signed by the employing manager prior to being processed further.</p>	2	<p>ITA forms now form part of the new web recruitment system whereby recruiting managers will need to complete these electronically providing us with a clear audit trail of the manager completing this with mandatory fields for completion.</p>	Head of HRIS & Reward.	<p>New form in use now for any appointments via the new web recruitment system.</p>
2.	<p><b><u>Contract Amendment Form</u></b></p> <p>Ensure that employees sign and return all contract amendment forms.</p>	2	<p>We will be reviewing the process of issuing and receiving signed contract amendment forms as part of the move to electronic contracts.</p> <p>In the meantime a check will be put in place to ensure we are chasing any signed contract amendment forms that have not been received. In many cases, an acknowledgement of contract variation is appropriate.</p>	Head of HRIS & Reward.	<p>Checks to be in place by end of February 19.</p> <p>Review of process to be completed by end of April 19.</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3.	<p><b><u>Equality Statement</u></b></p> <p>The draft Council Equality Objective should be updated, finalised and published as soon as possible.</p>	2	<p>Pursuant to the Gender reporting requirement and following the Council's gender pay gap, the Corporate Equality Group is recommending to the Corporate Leadership Team/Chief Officers' Executive the adoption and publication of 'closing the pay gap' as the Council's equality objective.</p>	<p>Head of HRIS &amp; Reward/ HR Strategy Project Officer.</p>	<p>March/April 2019.</p>

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

**Assurance Level**

**Definition**

Full Assurance

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

Substantial Assurance

While there is 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.