

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

**Date:**                   **Thursday 27 November 2014**

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

**Title:**                   **INTERNAL AUDIT PROGRESS REPORT**

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**Chief Officer:**        Chief Executive

**Ward:**                   (All Wards);

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1. Reason for report

This report informs Members of recent audit activity across the Council and provides updates on matters arising from the last Audit Sub Committee. It covers:-

- 3.1       Priority One Recommendations
- 3.102    Audit Activity
- 3.107    Waivers
- 3.111    Publication of Internal Audit Reports
- 3.116    VfM arrangements
- 3.123    Housing Benefit Update
- 3.128    Other Matters
- 3.143    Risk Management

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2. **RECOMMENDATION(S)**

- a. **Note the report and comment upon matters arising from the Internal Audit Progress report.**
- b. **Note the waivers sought since the last report to this committee in March 2014. Members are requested to query any waivers prior to the meeting so that they can be extracted by officers for discussion.**
- c. **Note the list of Internal Audit Reports publicised on the web and approve the reports where exemptions are sought.**

- d. Note the continuing achievements of the counter fraud benefit partnership with the Royal Borough of Greenwich and impending changes.**
- e. Note the arrangements around risk management.**

## Corporate Policy

1. Policy Status: Not Applicable:
  2. BBB Priority: Excellent Council
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## Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Internal Audit
  4. Total current budget for this head: £660k including £313K fraud partnership costs
  5. Source of funding: General fund, Admin subsidy, Admin penalties, Legal cost recoveries, Provision of sold services to academies
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## Staff

1. Number of staff (current and additional): 6.5 FTE including 0.5 FTE for a Risk Officer
  2. If from existing staff resources, number of staff hours: 221 audit days per quarter is spent on the audit plan and fraud and investigations plus a further 110 days per annum bought in from LB Wandsworth to augment the audit plan but excluding RB Greenwich investigators time.
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## Legal

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

1. Estimated number of users/beneficiaries (current and projected): Approximately 150 including Chief Officers, Head Teachers and Governors.
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## Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: N/A

### 3. COMMENTARY

#### 3.1 Priority One Recommendations

3.2 The latest list of outstanding priority one recommendations is shown in Appendix A. There have been a number of additions detailed below since the last meeting of this Committee. There have also been some movement in priority one recommendations brought forward that are detailed below.

3.3 Progress on implementation of recommendations for Insurance (4 outstanding priority one recommendations out of a previous total of 11 priority ones), Learning Disabilities (2 outstanding priority ones and 3 partially implemented priority out of a previous total of 12 priority ones), Libraries Investigation (1 priority one) and the Mobile Phone Investigation (1 priority one) are all expanded on in detail in Part 2 of the agenda. Rent arrears – is currently being tested as part of the ongoing audit of temporary accommodation and therefore the recommendation shows up as outstanding. Creditors -1 priority one on raising of orders is covered below. TCES- 3 priority one recommendations –see below; Looked After Children -2 priority one recommendations- see below; and Main Accounting System – 1 priority one recommendation- see below.

3.4 **Creditors** –we had previously reported to this committee that the priority one recommendation related to orders being raised retrospectively i.e. after the invoice date. Over a four month period from February 2013 to May 2013 3,290 retrospective orders were raised. An effect of this was that the commitment to incurring expenditure was not reflected in the budget reports. The audit follow up showed that when a further report was run there was still an issue with raising retrospective orders. An analysis of services where this was persistent, was undertaken by the Exchequer Manager and the service heads were written to asking them to address the problem. Internal Audit will carry out a further follow up and report back to this committee. There will be circumstances where it will not be possible to raise orders prior to receipt of invoices e.g. in Public Health some services can be provided by any number of health clinics in the country and raising orders prior to invoices being received is not possible as the providers are not known in advance.

3.5 **Transforming Community Equipment Services (TCES)** – We had previously reported that this audit identified three priority one findings relating to :

- *Invoicing*- having audited two months invoices covering October 2013 and November 2013 received from the supplier there were a number of queries that should have been challenged as part of the checking/verification process. The issues were, a lack of information on delivery costs, stock storage costs, standard stock items charged at almost double rates without a clear reason for this, credits not actioned for returned/collected items, invoice period was not specified, delivery and collection figures on performance monitoring did not match up to figures used for charging in the invoices. As a result it was recommended that there should be a more robust method for checking these invoices in compliance with Financial Regulations. This was accepted by management. The follow up on this recommendation showed that. The interim arrangement for random checking of orders and invoices has remained in place whilst Finance have been working on a system that complies with the Financial Regulations.
- Finance have developed electronic systems to identify discrepancies between orders and invoices and staff are able to check and verify them. This includes a system for a 2% random check resulting in robust monitoring. There is a guide for staff and a training programme was planned to ensure that all relevant staff are aware of the process and are skilled up to use it. This system includes orders, delivery and collections.
- Faster speed delivery rates -a thorough check was completed of the cases highlighted by Audit. The TCES Lead Officer worked with the CCG regarding this. This has resulted in the

CCG agreeing with LBB that the faster speeds were to be limited and micro managed. This has now been implemented with only the Head of Service and the CCG Lead Officer being authorised to agree a 4hr speed. All other speeds have been limited to 5 day with the 2 day requiring more senior health staff making the decision. LBB staff have no option for using the 2 day speed. There is ongoing work regarding the list of staff who are authorising and this task requires regular attention given staff turnover. This has resulted in improvements in the delivery speeds.

- Other aspects on issues identified by Internal Audit in the invoices submitted by the contractor have been queried by management and satisfactorily resolved. We consider that as a result of the progress made, this recommendation is regarded as implemented.
- *Stock reconciliation/stock charges*- Queries arose on the charging rates for storing non stock items at the depot as well as reconciling stock held at the depot to what records Bromley believed should have been held. As a result a recommendation was made to review the whole process of charging for non- stock items. This was accepted by management. The follow up showed that management have investigated the issue of non-stock items and the charges made. As a result of visits made to the depot and reclassification of non-stock items to stock items (which do not incur charges) a credit of almost £2k has been made by the contractor.
- The contractor will forward a non-standard /specials stock list to the TCES Lead Officer (with a copy to the Contracts Officer) on a monthly basis in order to identify items to be scrapped; wrongly held in non-stock; that can be converted to a close technical equivalent i.e. standard stock item; to be continued to be offered for sale as a shared specials all of which will assist in reducing costs. We consider that as a result of the progress made this recommendation is regarded as implemented.
- *Contract monitoring*- it was found that apart from collection and delivery figures no other performance measures stated in the contract were being monitored. In addition there were no minutes to evidence contract meetings and complaints were not being discussed at monitoring meetings. Management agreed to review these matters. The follow up showed that feedback procedures were updated with management providing examples of this; A number of email exchanges with front line staff to ensure they are using the correct process.
- Complaint return is reported monthly and follow up by management and the contractor
- Performance reports are presented by the contractor to budget holders and the strategy group on a monthly basis. The TCES lead officer can run further reports as required tailored to specific performance areas. The contracts officer will raise any performance issues that are not satisfactorily resolved with the contractor and or the London Consortium Board, the TCES lead officer and occupational therapists (OT)/manual handling risk assessors (MHRA) representatives from teams attending the operational meetings which are held to monitor the contract . It has been agreed that the formal contracts meeting needed to be separate and this is being arranged. The TCES lead officer will be attending the contracts meeting and will be feeding back the OT/MHRA views. We consider that as a result of the progress made this recommendation is regarded as implemented.

3.6 **Looked After Children** –we had previously reported that this audit identified two priority one recommendations relating to:

- *Payment authorisation*- there was a lack of evidence for authorising funding approvals in a number of placement decisions. In one incident, payments continued to be processed after the child had changed placement, resulting in an overpayment of £11,336. There was a further overpayment to the same foster carer that is covered in the Family Placement audit mentioned in paragraph 3.34. The follow up showed that the overpayment has not been recovered and is

further compounded by a second overpayment to the same foster carer. Follow up testing on authorisation procedures evidenced that the service has developed a weekly check on all LAC cases to identify change and update the Central Placement Team accordingly. A movement sheet has been developed for Care First that will improve control however, as this is not yet in place the recommendation is still outstanding.

- Timely completion of assessments and reviews- testing showed that various requirements/deadlines of the Care, Planning, Placement & Case Review Regulations 2010 were not effective. In the absence of effective control there was a risk that external inspections may give rise to reputational damage and/or sanction for failing to comply with the requirements of the said act. Management have introduced a monthly report generated from CareFirst to identify LAC placements and Care plan due dates, however this is too soon to test effectiveness. The follow up showed that of the 5 cases tested 2 did not have a current care plan and therefore we consider that further work needs to be done by management that will be tested and reported to the next cycle of this Committee.

3.7 **Main Accounting System-** we had previously reported that the requirements of full budget monitoring where budget holders were required to review/forecast their budgets was not occurring, with a significant percentage not engaging in the process. Budget monitoring ranged from 26% to 64%. As a result this Committee decided to set a target of 85% of budget holders within directorates engaging in the full budget monitoring process. Failure to meet this target could result in Chief Officers having to explain to this Committee the reasons for non-compliance. The follow up showed that in the latest report run for October 2014, 92% of managers had accessed their budgets and approved them. This is well above the 85% target set by this Committee. We therefore consider that this recommendation has been implemented.

### 3.8 Learning Disabilities Follow Up

3.9 The findings of this report was previously reported in Part 2 due to an ongoing management inquiry that is now completed. The follow up audit to assess implementation of the 12 priority one audit recommendations has now been finalised.

3.10 From the previous review, sixteen recommendations were made of which 12 were priority one and four were priority two. Eight recommendations, of which 6 were priority one, were found to have been fully implemented; five (including three priority one recommendations) had been partially implemented; two priority one recommendations, were found to still to be outstanding; and for one priority 1, relating to the panel process, there had been a procedural change. One new recommendation (priority two) has also been made with regard to the authorisation of support plans. Therefore, in our opinion, since the original Internal Audit report, where a nil assurance was given, we can conclude that there has been satisfactory progress towards implementing the audit recommendations, but in some areas—specifically the timely authorisation of cases and issues identified as a result of budget monitoring, sufficient progress has not been demonstrated on the evidence reviewed.

3.11 **Leaving Care (Payments to Clients)** –Members should note that the full redacted report is available on the web. The management summary that explains the key issues is elaborated below:

3.12 This audit was commissioned from the London Borough of Wandsworth. As a result of their findings 8 priority one recommendations were reported. It should be noted that the conclusion of this audit was that nil assurance can be placed on the effectiveness of the overall controls for the areas reviewed this time, namely cash handling, supporting documentation, monitoring, reconciliation and review of pathway plans. The audit opinion is not applicable to staffing and placements costs, accounting for some £1.2m, as these areas were excluded from this audit review. Management have agreed all recommendations for implementation.

3.13 This review focused on the predominantly cash-based financial support including meeting accommodation and maintenance needs, provided from the leaving care grant. This grant was set up to enable a young person to be set up in independent living accommodation. Each child receives a total leaving care grant of £2,500 with an extra £300 allocated for a young person with childcare responsibilities. The review also incorporated clothing and subvention payments.

3.14 *Policies and Procedures:* There are limited policies and procedures in place. The Auditor was provided with documents that define procedures from a service user perspective but not with any internal LBB policies and procedures that govern working practices and financial procedures for leaving care grants and payments.

3.15 *Documents to Support Payments*

3.16 There was evidence of cash payments being made to 14 of the 20 clients sampled.

- Of the 200 Petty Cash Vouchers (PCV) tested, 44 vouchers did not have a complete set of signatures (33 not signed by the client, 10 not signed by the social worker and 1 not signed by social worker and certifying officer). The incomplete documents related to 8 clients in the sample.
- 6 PCV's had not been retained and were not available for audit examination; relating to 5 clients.
- 3 PCV's evidenced in the LCT did not match the copy held in Finance, signatures differed and signatures were missing. It is not clear why these prime documents are not identical.

3.17 *Authorisation*

- Of the 200 Request For Finance forms (RFF) tested 17 had not been retained and available for audit examination.
- 3 cash transactions were not supported by adequate documentation either signature or dates
- RFF forms can be authorised by any one of the four managers. Without procedure notes to define the payment initiation, client checks and authorisation function and with no reference to the client-specific payment spreadsheet prior to authorising these forms, there is a risk of duplicating allowances.

3.18 *Cash Payments to Bank Accounts*

- For 4 clients petty cash payments were made to bank accounts where client details had not been verified and for one of these cases supporting documentation such as the receipt was not available.
- For 1 of the 15 bank deposits tested it was identified that the social worker had obtained the petty cash and split the associated deposit into the client's account across two separate days, £53.60 on one day and a further £60 ten days later.
- For 1 of the 15 bank deposits tested, the deposit amount did not match the amount on the authorised RFF form, the deposit being £30 more than on the authorised request form.

3.19 *Monitoring of Payments*

- There is no centralised log of payments maintained to ensure that the grant limit is not breached. A client-specific payment spreadsheet was maintained at the time of testing for 14

of the 20 clients tested with a further 5 being created as a result of audit testing. 1 remained outstanding at the end of fieldwork with no evidence of monitoring.

- Concerns raised that the Monitoring Officer stated that she was the only officer to use this payment spreadsheet. Interviews with the Group Manager established he does not refer to this payment spreadsheet prior to authorising payment request forms and therefore raises issues regarding roles and responsibilities and clarity with regard to the authorisation function.
- A spreadsheet of overpayments totalling to £13,094.14 was provided by the Monitoring Officer however as this document was not dated, it cannot be identified to which periods these overpayments relates to. Management explained that these overpayments related to agreed payments exceeding the £2,500 grant. It was not clear that these overpayments were subject to additional authorisation or that the overpayment report was used to reconcile and agree payments exceeding the guideline threshold.

### 3.20 Reconciliations

- Reconciliations are not undertaken by the service. Audit testing identified differences between the client record held on CareStore and actual expenditure coded to the client T reference on ORACLE for 16 cases. As the department cannot identify the exact amount provided to the young person there is a risk that overpayments are made.
- A review of LCT spend for 2013-14 identified £70K allocated to a default code. This is due to insufficient characters available on CareFirst to detail the client T code; the monitoring controls therefore need to be robust to account for all CareFirst spend to client level.
- An ORACLE report detailed £23.5 K coded to the default code for leaving care grants in 2013-14. A sample of payments from this report was satisfactorily checked to the client payment record, however 4 payments totalling £1, 744 could not be traced to a specific client given the generic term "CYP imprest or reimbursement". The monitoring Officer has now traced these payments to 5 clients, however Internal Audit could not evidence that the client payment record had been updated in one case (£230).

### 3.21 Pathway Plans

- From the sample of 20 cases tested, in one instance there was no Pathway Plan in place and seven instances where the pathway plan was flagged as incomplete by the CareFirst system.
- Whilst the legislation states that '*a Pathway Plan...must be prepared as soon as possible...*', in 2 of the 20 cases tested Pathway Plans were not in place within 3 months of the young person's 16<sup>th</sup> birthday.
- For 21 of the 24 Pathway Plans examined, these were not subjected to a 6 monthly review.

### 3.22 Purchase of storage space/Purchase Card

- Noncompliance with Financial Regulations as costs have exceeded the threshold for 3 competitive quotes.
- No policy or procedure to operate the storage of client belongings.
- No evidence that the £355 per month offers value for money or is a space required by the items secured.
- Client payment made on the purchase card not recorded on the client payment record.

### 3.23 Cash Security

- Client cash payments awaiting collection are kept in a cash box, secured in the safe. During the site visit the auditor observed that access to the cash box, whilst temporarily outside of the safe, was not controlled, social workers removed client payments without being formally issued or signed for. There is no record of these cash holdings, no ownership or accountability and an inadequate audit trail as cash is stored, removed and issued. Without any record the LCT cannot evidence what cash holdings are in the safe
- It was established that this cash box stored client cash payments awaiting collection. However there is no record of these cash holdings or signatory evidence when cash is removed. There are no effective controls, ownership or accountability, an inadequate audit trail as cash is stored, removed and issued. Without this record the LCT cannot evidence what cash holdings are in the safe.

3.24 There has been a positive response from management to implement recommendations made in respect of the above findings.

3.25 **Review of Family Placements** –Members should note that the full redacted report is available on the web. The management summary that explains the key issues is elaborated below:

3.26 The audit was carried out as part of the 2014/15 audit plan and was at the request of the Assistant Director –Safeguarding and Social Care. As a result of our findings we issued a nil assurance. There were 8 priority one recommendations, 4 priority twos and 1 priority three.

3.27 For background purposes, the Performance Digest showed that as at March 31<sup>st</sup> 2014, there were 277 looked after children, of these 184 were in Foster Care and 21 children had been placed for adoption. The budgets for this service are held within the children's placements budget which includes residential placements. The budget for the children's placements budget in 2013-14 was £10,468,620 and actual spend was £10,451,111. For Fostering the actual spend was £6,115,089 (against a budget of £5,484,710) and the actual spend for Adoption was £512,358 (against the budget of £389,430). For 2014-15 the children's placement budget was £12,800,250. The budget for children's placement is managed differently to other service areas, the costs associated with the child follow the child, they are not specific to a team.

### 3.28 Overpayments

3.29 A list of aged debts was provided by the Strategic Commissioner, in respect of the fostering service. These were debts that had been invoiced. From the report dated 6/6/14, it could be seen that between the period of 18/8/10 and 2/6/14 £90,923.92 (relates to 34 transactions) had been overpaid and £77,295.71 remains outstanding and £816.70 from this has been sent for write off. The breakdown of debt is shown in paragraph 3.31 below.

3.30 The Exchequer Manager provided a spreadsheet that detailed credits held within Carefirst which were overpayments that would be recouped against a future placement, but have not yet been invoiced. Also detailed were credit notes raised in Oracle Financials. This report showed that for the period January to June 2014 there was a total of £20,363.58 of which £3,201.36 remains outstanding, at the time of the audit. The Exchequer Manager, has since written a new procedure in June 2014 to ensure that credits do not remain within Carefirst for more than two months. After this time, the amount will be removed from Carefirst and the carer will be invoiced. Significant weakness continue to exist within the financial controls.

3.31 See below for the fostering overpayments identified across each financial year:-

<b>Breakdown of Overpayments</b>		
<b>2010-11</b>		<b>£22,136.14</b>
<b>2011-12</b>		<b>£0.00</b>
<b>2012-13</b>		<b>£7,409.69</b>
<b>2013-14</b>		<b>£46,806.57</b>
<b>2014-15 to date</b>		<b>£943.31</b>
<b>2014-15 (Carefirst)</b>		<b>£3,201.36</b>
		<b>£80,497.07</b>

3.32 The overpayments discussed in paragraphs 3.28 to

3.31 indicate that there is still a significant problem with foster carer accounts going in to overpayment. Audit testing indicated that reasons identified include;-

- Service agreements not being closed in a timely manner.
- Lack of understanding of roles & responsibilities.
- Lack of understanding of how Carefirst operates now that it is a financial system.
- Insufficient monitoring to identify early alerts.

3.33 The previous audit for Children's Social Care (CSC) payments in 2012-13 identified a priority one finding regarding overpayments monitoring and recovery. This was also reported to Audit Sub Committee in November 2012. Management at the time confirmed the following:- 'Overpayments are currently recorded and monitored within the Exchequer Service and information can be provided to CSC as required. CSC will ensure that the information received from Exchequer is used to take action to prevent further overpayments being made'. At this time, £69,707 overpayments were identified, relating to 29 transactions.

3.34 During the Looked After Children Audit for 2013/14 (finalised May 14), it was reported that in respect of a case mentioned in paragraph 3.6 above an overpayment had been made of £11,336 (relating to the period 12/6/13-4/01/14). A further overpayment was made in respect of another child to the same carer also for £11,809.86 (for the period 9/7/13-1/3/14). Both these payments are included within the aged debt amount of £80,497.07. To date no money has been recovered from the carer but there is ongoing action to pursue this further. As a result of the Audit, the department have since introduced a process whereby as soon as there is a placement change the Adoption Manager and the Fostering Manager will notify the CCT, however, the effectiveness of this procedure has not yet been tested. It has only been during the audit that a repayment plan has been discussed with the carer. It was also found that this carer also provided Outreach and it was agreed to pay this carer a one off payment of £102.63 relating to Outreach on 17/6/14 and plans were being made for a new placement to be made with this carer.

3.35 The fostering allowances were reviewed and reconciled back to the actual payments. A sample of 32 was selected, 24 in house and 8 independent fostering agency (IFA) placements. Queries arose in three of the in house cases sampled relating to the actual payments being received. Allowances are based on the age of the child and these three payments could not be reconciled. In each of the three cases, the carer received the enhanced professional fee despite the children being below the qualifying age band of 13. For the IFA placements, three queries were raised regarding one overpayment of £480 and two placements where an annual agency fee of £6,800 was charged over and above the weekly care costs.

3.36 At the time of the audit, the allowances in payment related to those agreed for 2013-14. The 2014-15 rates went to Committee on 26/6/14 for approval. Over a year, the total cost of the maintenance and professional fees currently in payment, would be £2,923,017.03.

3.37 Retainers in payment were also reviewed. A standard retainer of £100 can be paid to the foster carer for a maximum of eight weeks. From a list provided by the Fostering Deputy Group Manager, it was found that out of the standard retainers 6 out of 11 cases were found to be in overpayment totalling circa £2,500. These are over and above the overpayments detailed above in paragraph 3.31. The Auditor was informed by the Fostering Deputy Group Manager, that once a retainer is set up for payment, an end date cannot be input as the retainer may not be for the full eight weeks, during this time a child may be placed with the carer. Therefore, as Carefirst cannot be used to trigger the end date, departmental management must have a robust monitoring system in place, to ensure that overpayments do not continue to occur.

### 3.38 *Savings*

3.39 Included within the maintenance amounts paid to foster carers is a savings element included. As detailed on the 2013-14 allowances sheet, saving elements for the following age bands are as follows; 5-10 is £10, 11-15 is £15 and 16+ is £25. However, the Auditor was informed by the Deputy Fostering Manager that the saving bands for 5-10 were actually £5, 11-15 £10 and 16+ £10. Queries were raised in relation to the saving element included within the maintenance of the foster carer allowance for age bands 5-10, 11-15 and 16+ and the Deputy Fostering Manager informed the Auditor that the age bands were incorrect. It is unclear what has been done to update the rates and correct the maintenance figures.

3.40 It was found that there is no policy surrounding the transfer of savings for the child when the placement ends or changes. There is no central log of what amount should have been saved and which amount should transfer with the child when a placement ends or changes. Foster carers were notified of responsibilities re savings via a newsletter, as advised by the Head of Social Care.

3.41 Guidance on transfer of the ISA's and trust funds from the local authority's responsibility to the adoptive parent should be readily available.

### 3.42 *Legal Orders*

3.43 Residence orders- A Residence Order is an order which decides where a child should live. The Residence Order gives shared parental responsibility for as long as the order is in place. Unless specified in the order the LB Bromley rate would apply.

3.44 Special Guardianship Orders- A Special Guardian will have parental responsibility for the foster child until they are 18 unless discharged earlier by the court. They will be able to make most day to day decisions regarding caring for the child and their upbringing. Special Guardianship Allowances are subject to a financial assessment and will depend upon the income and expenditure of the carer.

3.45 Adoption order- Once an adoption order has been made, the adoptive parent becomes the child's parent and acquires parental responsibility; the child is no longer looked after. From this point onwards the child becomes ordinarily resident in the authority where they now live with their adoptive parent. Adoption allowances are subject to a financial assessment of the adoptive carers and the needs of the child.

3.46 Carefirst and Carestore was reviewed to locate the legal orders to support the payments made to carers in respect of the Special Guardianship Orders and Residence Orders, of which 2 out of 18 orders selected for audit examination were located. All records are now held electronically, so there is no paper file. Cases that remain in payment have since had their paper files archived. The Auditor contacted Legal to obtain copies of the relevant court orders. Legal only hold a limited number of the orders as they may not always be involved in proceedings.

- 3.47 Legal evidenced an email dated 19/6/14 highlighting concerns that copies of legal orders were not being retained and uploaded onto Carefirst/Carestore. Legal confirmed that at the end of care proceedings the relevant Solicitor will provide copies of the legal order to the Social Worker and asking that the legal orders are to be placed on Carestore. Key documentation is not being retained
- 3.48 *Connected Persons CP's (Kinship) Allowances*
- 3.49 From sample testing, it was found that queries arose in three cases and these were referred to the Strategic Commissioner, Children's Commissioning Team (CCT). For two of the cases the incorrect rate was in payment resulting in underpayments. These have since been amended
- 3.50 There are currently 30 Connected Persons (kinship) allowances in payment (according to the Carefirst report) and payments at the time of the audit would be £302,609.48 per annum
- 3.51 *Residence Orders (RO's)*
- 3.52 There are currently 46 Residence Order allowances in payment at the time of the audit and over a year the total cost would be £349,235.66 per annum. RO's in payment in respect of 36 out of 46 children could not be reconciled back to the agreed allowances, in the absence of the key documentation namely the residence order ( which may or may not specify rates) and the previous original financial assessment. Reviewing the list of the residence orders and reconciling this back to the agreed allowances it appears that 23 were in overpayment and 13 in underpayment.
- 3.53 As discussed in paragraphs 3.42 -3.47, legal orders for Residence Orders were found not to be held as expected. Under the Children's Act 1989, residence orders are not subject to any formal financial assessment. It is at the discretion of the local authority. On reviewing the residence order allowances in payment and reconciling this to the agreed allowances, sample testing showed that for three of the cases sampled, residence order allowances were in payment, but all three cases were classified as fostering/kinship cases within Carefirst.
- 3.54 Previously, RO's came under the CCT and they were responsible for undertaking the welfare checks to confirm that the child continued to be in placement and also a telephone call to the school to confirm the child was still in attendance and that all was well. Generally, checks were undertaken on a rolling programme a year after the order was made or a year from the last review. RO;s transferred from CCT to the Head of Social Care in November 2013 and since that date no welfare checks have been undertaken. There is currently no officer monitoring residence orders. The Head of Social Care, Care & Resources, has asked the Carefirst Support Team to set up a virtual team for these cases to be allocated to.
- 3.55 *Adoption Allowances*
- 3.56 The Head of Social Care, Care & Resources, (HOSC,C&R) informed Audit that the adoption allowances in payment had been financially assessed incorrectly and that that the allowances had not been reviewed for some years, possibly 2 or 3 years. This is not in line with the adoption regulations that state that they should be reviewed annually
- 3.57 During the audit, the HOSC,C&R explained that he would be reviewing all the adoption allowances and write to all the adopters as applicable. Currently, there are adoption allowances paid every two weeks and the payment batch for the period 01/06/14-14/06/14 totalled £15,988.52. Over a year, this would amount to £415,701.52 relating to 46 children (at the time of the audit).

- 3.58 On 1/7/14, a list of cases was provided to the Auditor by the HOSC,C&R detailing cases where the assessments had been re-calculated and therefore the service had identified the errors. It was found that 5 carers had failed to return financial information to support payments.
- 3.59 At the time of the audit, six carers adoption allowances were due to almost double in payment due to an error in the original calculation the Head of Service advised. Equally three allowances are due to be significantly lower and further investigation is required. It needs to be determined the level of over and underpayments that have been made and the outcome of which reported back to Internal Audit. The Head of Service plans not to backdate calculations and pay the new rates from the 1 July 2014, however, the basis for the decision and the authority for this decision has yet to be determined.ie Member approval compliance with the Financial Regulations.
- 3.60 *Special Guardianship Orders*
- 3.61 For the Special Guardianship cases , there are currently 66 SGO's in payment at the time of the audit and over a year the cost would equate to £556,825.23 per annum. Financial assessments are undertaken for the SGOs and these should be reviewed annually. At the time of the audit, it was confirmed by the Special Guardianship Development officer that financial assessment reviews are undertaken for the first three years only. Therefore, it was not possible to verify all payments being made under this classification.
- 3.62 Further inconsistencies arose with the rates currently in payment when matched to the court orders (where allowances were detailed) and then cross referenced to the financial assessment
- 3.63 The department had identified 59 SGO cases that had been mis-classified on Carefirst and required investigation and amendment; this work was still outstanding.
- 3.64 *Training*
- 3.65 During the course of the audit, it was evident that the officers interviewed within the fostering and adoption teams, do undertake financial duties, however, none had been nominated to undertake the Financial Regulation and Contract Procedure Rules training. For those staff identified with financial duties, the training was then mandatory. The Group Manager, Family Placements, had been nominated to undertake this mandatory training for Contract Procedure Rules and Financial Regulations, however, it appears that this officer has still to complete both these courses
- 3.66 As Carefirst is now finance based, the importance of how the system works and keeping the system up to date is crucial to understand how overpayments are continuing to arise. Enquiries have also been made in relation to the level of training that has been undertaken by key members of staff on Carefirst. In some instances, there is not an adequate level of understanding on the use of Carefirst.
- 3.67 In addition to the priority one recommendations listed above there were four priority two recommendations relating to the need for timely DBS (previously CRB ) checks; the need to hold adoption records electronically; the need to notify HMRC to terminate child benefit for children that become looked after; and a recommendation on waivers and contract documentation. There was also a priority three recommendation on updating procedures.
- 3.68 All recommendations have been accepted by management for implementation.
- 3.69 **Review of Purchasing cards-** Members should note that the full redacted report is available on the web. The management summary that explains the key issues is elaborated below.

- 3.70 The audit was carried out as part of the 2014/15 audit plan. As a result of our findings we issued a limited assurance opinion. There were 3 priority one recommendations, 7 priority twos and 1 priority three.
- 3.71 In 2013-14 a total of £337,436.13 of expenditure was made using purchase cards in 5,285 transactions. 68 cards are held by the former CYP department, 27 by Environment, 16 by former ACS, 7 each for Resources and Regeneration, 5 for Legal and Democratic Services and one for the Chief Executives.
- 3.72 There were three priority one recommendations on non- claiming back of VAT; non retention of receipts to support expenditure; and splitting of expenditure to circumvent the single transaction card limit normally £500.
- 3.73 VAT:- Examination of all the transactions for February 2014 found that VAT had not been accounted for 110 of the 424 transactions that took place. It was calculated by the Auditor that although £590.70 of VAT was accounted for, £1121.1 was not, where it could have been
- 3.74 Testing of a sample of 25 transactions found that in seven instances, VAT was not accounted for. Three of these transactions actually stated the amount of VAT on the receipt, but was not input. In the other 4 instances a VAT receipt or invoice was not received or kept. Additionally there were 4 other instances where no copy of the receipt or invoice was provided.
- 3.75 A recommendation was made that managers should go back and recheck expenditure to identify previously unclaimed VAT. This exercise is still ongoing but has identified about £6,000 to date.
- 3.76 *Non retention of receipts*
- 3.77 The second significant finding was that it was identified that 4 card holders (covering 22 transactions) have not retained copies of their receipts as requested by the procedure documents. It is thus not possible to accurately determine if expenditure incurred was for a business need and if VAT had been correctly accounted for.
- 3.78 *Splitting of transactions*
- 3.79 The final significant finding was that of the transactions that were made between 1/04/13 to 31/03/14 it was found that on numerous occasions transactions had been made to the same supplier on the same day. In 8 instances the spend with the supplier has been more than £500 and for 4 of these it is apparent that a spend over £500 has been split across 2 cards. Specific requirements are included within the CPR's, Purchase Card Procedures and Financial Procedures and Regulations on all of these matters
- 3.80 The 7 priority two findings related to controls being insufficient to prevent staff leaving without returning their purchase cards; a number of staff have been issued a purchase card who have not undertaken Financial Regulations or Contract Procedure Rules training; transactions are being coded to the wrong subjective code; cards have been issued with little or no use being made of them, although some of these are for emergency control purposes; management are not ensuring that card holders are promptly processing transactions; instances have been identified where sections and staff are sharing cards; expenditure is being made which is not in compliance with Financial Regulations/Procedures and CPR's and which there are not specific business needs. There was a priority three finding on awareness of procedures by some card holders. All recommendations were accepted on corporate basis for implementation.
- 3.81 The findings of the report were raised at a managers meeting and discussed at a Directors' meeting.

3.82 **Review of Essential Car Users-** Members should note that the full redacted report is available on the web. The management summary that explains the key issues is elaborated below.

3.83 This audit was part of the 2013/14 Internal Audit plan and the findings below have been subject to discussion at Directors' meetings. Our audit identified three priority one findings and four priority twos. As a result of our findings we gave a limited assurance opinion.

3.84 Internal Audit reviewed the period from November 2012, when the revised Essential Car User criteria came in to operation following a review by management. The revised criteria applies only to those employees where:

- a) driving a car/vehicle is an integral and regular feature of the job; and therefore
- b) having a current driving licence and use of their own car/vehicle are deemed to be essential and compulsory for the performance of the job.

3.85 *Review of nil and low usage Essential Car Users*

3.86 A report generated from Resource Link of all Essential Car Users and mileage claimed between 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2013 was reviewed by Internal Audit to ensure that they met the current Essential Car User criteria. The results are summarised below. Of the 263 Essential Car Users, no mileage had been claimed by 16 staff in this period. The review also highlighted a number of infrequent users getting Essential Car User allowance. 25 staff i.e. 15.50% of Essential Car Users have only claimed between 0 to 500 miles over a 12 month period from 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2013 under the revised scheme. A further 44 staff i.e. 16.70% have claimed between 500 to 1000 miles in the period reviewed. This indicates that the Essential Car User criteria may not have been robustly applied to ensure that Essential Car Users are only awarded to those for whom driving a car/vehicle is an integral and regular feature of the job. However, management have stated that under the current criteria, the entitlement to essential car user status is not solely dependent on mileage. The current criteria recognises that for some staff the use of a car is an integral part of their job for efficiency and safety reasons, irrespective of mileage incurred.

**Period from 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2013**

<b>Essential users total as at 31/12/2013= 263</b>	<b>No. of Essential Car User</b>	<b>Cost to council (assuming £963 lump sum payment plus £0.409 per mile)</b>	<b>Cost to council if the staff were casual user</b>
<b>Zero miles</b>	<b>16</b>	<b>£15,408</b>	<b>£ 0</b>
<b>0-100miles</b>	<b>2</b>	<b>£1,994</b>	<b>£87</b>
<b>100-250miles</b>	<b>8</b>	<b>£8,303</b>	<b>£764</b>
<b>250-500 miles</b>	<b>15</b>	<b>£16,884</b>	<b>£3,112</b>
<b>500-1000 miles</b>	<b>44</b>	<b>£55,738</b>	<b>£17,059</b>
<b>Total</b>	<b>85</b>	<b>£98,327</b>	<b>£21,022</b>

3.87 *Checking eligibility to drive cars for business purposes and having a car for use*

3.88 One of the revised criteria for Essential Car User was having a current driving licence and use of their own car/vehicle was deemed to be essential and compulsory for the performance of the job. However, the criteria does not specify the responsibility and frequency of the checks on driving licence and insurance documents to support continued eligibility and availability of the car for business purposes. However, there is a financial regulation requirement that checks should be made for adequacy of cover

- 3.89 A sample of 5 Essential Car Users was selected and their managers were emailed to query if they have checked the driving licence and insurance documents for the car used for business purposes by their staff
- 2 managers had not previously checked these documents and only did so when prompted by the email from Internal Audit. The supporting documents provided by these managers were reviewed. Insurance for one staff member did not cover business use of their vehicle.
  - One manager responded that her member of staff has not used the car for business since last winter as she was involved in a traumatic incident which has resulted in losing confidence. The member of staff has been using public transport since the accident. The manager was not notified of the change in circumstances and the member of staff continued to receive Essential Car User lump sum payments of £80.25 per month.
  - One manager advised that the staff member has a car loan and relied on the external leasing company to undertake these checks and therefore had not checked driving licence and insurance documents.
  - There was no response from one manager.

### 3.90 *Review Criteria to prevent anomalies*

- 3.91 A report comparing casual mileage and Essential Car User mileage claimed between January 2013 and December 2013 was reviewed. Based on business miles claimed and regularity of claims, a number of casual users have been using their cars regularly for business purposes, with 16 users claiming more than 2000 miles between January 2013 and December 2013. This figure increases to 69 if usage is set at over 1,000 miles per annum. It could be argued that they fulfil the current criteria for Essential Car User that driving a car/vehicle is an integral and regular feature of the job.
- 3.92 There were four priority two findings relating to review mileage for Essential Car Users at yearly intervals to justify continuance; review the longer term benefit to the Council of the Essential Car User scheme; that the evaluation process for Essential Car User entitlement is applied consistently across the Authority and that this evidenced by retaining documentation; and that the higher lump sum should not be paid if there is no business case to do so.
- 3.93 The scheme is due to be reviewed by management in 2015.
- 3.94 **Primary School-** Members should note that the full redacted report is available on the web. The management summary that explains the key issue is elaborated below.
- 3.95 This audit was carried out as part of our cyclical programme of planned school audits in 2014/15. The audit identified a number of findings including one priority one issue relating to the reconciliation of the bank account and credit card payments. A limited assurance opinion was given by Internal Audit.
- 3.96 The last bank reconciliation for May 2014 authorised by the Head Teacher was reviewed however this was not signed as checked / prepared by finance staff. On examination the opening balance shown on bank statement was £463,062.32 and did not match the opening balance on the associated bank reconciliation £465,133.76. The closing balance on the bank statement 31/05/14 was £462,759.99 whereas the bank reconciliation showed £464,833.43. Audit identified that this difference related to three cheques being raised for differing values. The last occasion the bank statement and the bank reconciliation balanced was 3/4/14.
- 3.97 There was no evidence that a full reconciliation had been carried out on transactions totalling £1,536.07 on credit card monthly statements dated 31/05/14

- 3.98 There were nine priority two findings relating to non-raising of orders; prepayment before an invoice was received; robust controls for tendering; controls over petty cash including reconciliation; controls over the credit card; use of printed cheques to cut down on errors; update the scheme of delegation; update procedures; and clerking of governor meetings. There was one priority three finding relating to the School giving consideration to commissioning out small repair work to save on costs. The School has agreed all recommendations for implementation.
- 3.99 **Review of IT Licenses and Asset Register-** Members should note that the full redacted report is available on the web.
- 3.100 This area was reviewed as part of our 2014/15 Internal Audit plan. There was one priority one finding in relation to overpayments on key fobs and licenses for remote working as detailed below. As a result of this finding a limited assurance opinion was given.
- 3.101 It was identified during the audit that the authority is paying for key fobs and licenses for remote working, which are no longer being utilised. The Authority paid for 2810 fobs at £12.06 when invoiced last year, when in effect it only utilises 1696 per information received from Capita. 1114 of them were not being used which equates to £13,434. 84. It is likely that we have overpaid for key fobs and licences in the previous year i.e. 2012/13 but Audit has not calculated an amount. Although some of the difference could be due contract workers requiring access to LB Bromley systems that is not reflected in the figure of 1,696, an overpayment has been incurred. The main cause relates to IT not being informed of staff who have left. The leavers procedure is currently being addressed. Management have given an undertaking to carry out an exercise to ascertain the numbers of key fobs required before the next invoice is due for 2015/16.
- 3.102 **Audit Activity**
- 3.103 Members of this committee have been updated on both progress against the 2014/15 Internal Audit plan and all other work undertaken for the six month period April 2014 to September 2014 including work in progress for audits brought forward from the 2013/14 Internal Audit plan, unplanned work such as management requests, fraud and investigations.
- 3.104 In addition to the reported activity we have continued to the undertake the following work:
- Sold services to academies- Members should note that although this service will continue the methodology in delivery may change pending the outcome of meeting of the Executive in late November 2014.
  - Ongoing training-set up and monitoring of the web based training package for Financial Regulations and Contract Procedure Rules working with Procurement. This is expanded upon below.
  - Fraud and investigations reported upon in this agenda under Part 2.
  - Advice and support on the Financial Regulations, variations to change in system controls, and cases involving potential legal action where audit input is required - this is an important part of providing ongoing support to managers.
  - Monitoring role of the Greenwich Fraud partnership.
  - Liaison work with our external auditors in preparation of their audit of the 2013/14 accounts
  - Committee work

- Data gathering for NFI 2014.

3.105 Since August 2014 a vacancy has arisen due to a principal auditor having to retire early for medical reasons. This has necessitated a review of the audit plan resulting in additional days /audits being allocated to LB Wandsworth, extra hours allocated to an auditor who was on part time working and subsuming a couple of audits in to corporate audits. Longer term and subject to budget constraints the intention is to fill the vacancy.

3.106 The audit satisfaction questionnaires returned by auditees continue to indicate a high level of satisfaction with an average score of over 4 out of 5

### 3.107 **Waivers**

3.108 At the last meeting of this committee we had reported that under CPR13.2 Chief Officers with Social Care responsibilities have specific exemptions provided to them under the Council's Scheme of Delegation. These powers were delegated down from the Council and the Leader. Following enquiries made of ECHS management, we reported that these exemptions were reported to both Education PDS and Care Services PDS Committees. Members of this committee therefore took the decision to only report on waivers sought under the Contract Procedure Rules 3 and 13.1. The list attached as Appendix B reflects waivers (excluding exempted social care placements) sought for the period March 2014 to October 2014.

3.109 As required by the Contract Procedure Rules (CPR) this Committee has to be updated on waivers sought across the Authority at six monthly intervals. The last update was reported to this Committee in November 2013 and covered waivers sought up to September 2013. The list is collated from the Heads of Finance for each of the Service areas and any information kept by the Chief Officers. Members are asked to review this list and comment as necessary preferably prior to the meeting so that officers can extract the details on queried waivers.

3.110 The waiver procedure has been simplified by issue of a guidance procedure that forms part of the Contract Procedure Rules. This documents defines a **Waiver** as – **“the dispensation of the need for compliance with a particular requirement of these Contract Procedure Rules”**

Where the estimated value of this requirement is likely to exceed;

- **£50k** the Agreement of the Chief Officer needs to be obtained; The matter also needs to be included in the bi-annual report submitted to Audit Sub Committee;
- **£100k - £1m** The Chief Officer in Agreement with the Director of Corporate Services and the Director of Finance together with the Approval of the Portfolio Holder. The matter also needs to be included in the bi-annual report submitted to Audit Sub Committee;
- **£1m and Above -** The Chief Officer in Agreement with the Director of Corporate Services and the Director of Finance together with the Approval of the Executive or Council as appropriate.

### 3.111 **Publication of Internal Audit Reports**

3.112 At the last meeting of this Committee we reported our second batch of Internal Audit reports finalised since March 2014 that was published on the web. We gave explanations for seeking exemptions from publicising for four reports- CDM Project; Parks and Greenspace; Castlecombe Children and Family Centre; and Behaviour Services. We are seeking exemptions for two investigation reports and the reasons are given in Part 2 and is on this agenda

3.113 Since the last cycle of this Committee we have published a further 25 redacted final reports with 2 exemptions sought:

- Housing Benefit 2013/14
- Penalty Charge Notices 2013/14
- Parking Income 2013/14
- Purchasing Card Review \*
- Learning Disabilities Follow Up \*
- Family Placements \*
- Leaving Care \*
- SEN Transport
- Council Tax-Single Person Discount Exercise
- Treasury Management 2013/14
- Troubled Families
- Council Tax 2013/14
- Carbon Reduction Commitment Scheme
- Essential Car User Review \*
- Review of IT Licenses and Asset Register \*
- Review of Agency Staff
- Dorset Road Primary School
- Princes Plain Primary School
- Southborough Primary School
- St Olave's and St Saviour's Grammar School
- Castlecombe Primary School- Pre Academy Closure Audit
- Keston CE Primary School- Pre Academy Closure Audit
- Leeson's Primary School- Pre Academy Closure Audit
- Scotts Park Primary School- Pre Academy Closure Audit
- St John's CE Primary School- Pre Academy Closure Audit

3.114 Some of the above reports marked with an \* are expanded up on in this report and part 2 as they had priority one issues

3.115 It should be noted that the Council Tax –Single Person Discount review was in response to a request from management following a complaint received from a member of the public.

### 3.116 Value for Money Arrangements.

3.117 We had previously reported that in 2013/14 we did not carry out reviews of VfM arrangements due to time spent on investigations. We rolled over three of the audits with a requirement to review VfM arrangements using the methodology agreed by this Committee . One of these i.e. Family Placements has been completed and is reported up on below; Temporary Accommodation is currently being audited and the third audit, planning, will be completed later in 2014/15

3.118 The standard methodology to review value for money arrangements (VfM) was agreed by Members in September 2010. The matrix to assess value for money gives a rating 1 to 4, with 1 equating to not met and 4 equating to fully met. The VfM arrangements for this service was discussed with management and based on the findings, a score rating of 2 out of 4 is reported, which is partially met. There are some aspects of VfM in place but these are not sufficiently robust to reach an informed decision that the service is achieving VfM.

3.119 This score of 2 is based on:

- Limited customer feedback is undertaken and other local authorities are not contacted in order to learn how services could be improved ;
- Unit cost data is not available for the adoption service. Audit were informed that work has been undertaken on unit cost data for fostering.

3.120 The only customer feedback is via panel meeting minutes and the foster carers being willing to attend fostering events. Additionally, other local authorities that are performing well are not contacted as a matter of course, in order to understand how services are managed and delivered differently.

3.121 In response management will explore ways in which they can obtain feedback about the services provided and will add this to the service user engagement agenda currently being developed. Examples of good practice elsewhere will be identified and disseminated to improve the way in which the service is delivered.

3.122 In respect of unit cost for adoption, management have indicated that although this will be explored it may be difficult to compare on a like for like basis as local authorities tend to differ in delivery of this service.

### 3.123 Housing Benefit Update

3.124 Members had previously been informed that the proposed move by the DWP towards a Single Fraud Integrated Service (SFIS) will now occur on the 1<sup>st</sup> July 2015. Staff could be subject to TUPE. This has implications for our partnership agreement with RB Greenwich and we have given notice to terminate the agreement. We have now obtained a waiver to extend the partnership agreement up to 31<sup>st</sup> March 2015 and thereafter to the point of transfer. Following the transfer, arrangements will have to be put in place to cover off all LB Bromley related fraud and pro-active exercises. An option is to continue our partnership working with RB Greenwich which has been successful since its inception in 2002.

3.125 Since the commencement of the partnership in April 2002, through to September 2014, the Council has successfully prosecuted 378 claimants to date for benefit fraud; issued 339 court summonses; given 102 formal cautions; and administered 412 penalties. The full details and appendices on trends are shown in Appendices C, D and E.

- 3.126 We have been allocated a DWP SFIS manager to assist with the transfer of the benefit fraud service.
- 3.127 *Real Time Information (RTI)*- for the first time the DWP are now matching housing benefit data to the HRMC's new RTI system where employers (public and private sector) and pension providers are required to provide details immediately after they make payments. The initial matches received in early October 2014, has resulted in several cases that need to be investigated and some of which could lead to instances of fraud.
- 3.128 **Other Matters**
- 3.129 **Other Matters- Web based training**
- 3.130 We had previously reported that a web based training package was developed for officers to be made aware of the requirements of the Financial Regulations and the Contract Procedure Rules (CPR). Consequently, that was compulsory for any officers who had roles that involved finance or decisions that had financial implications. 600 officers or over 90% who were deemed to fall in to this category completed the training.
- 3.131 Going forward, both CPR and Financial Regulations will need to be updated in 2015 (these were last updated in 2012) which will result in the need to make officers aware of changes through a revised web training package.
- 3.132 We are also considering running a brief web based training package to cover main short comings in audit controls identified as a result of Internal Audit reports and investigations.
- 3.133 There are proposals to extend the web based training to Risk Management – this is expanded under paragraphs 3.156 to 3.160 below.
- 3.134 **Other matters- Local Audit and Accountability Bill and post Audit Commission details**
- 3.135 We had reported on the requirements of the new bill for local authorities to appoint their own external auditors through the medium of an audit panel and for negotiating joint procurement of external audit services in conjunction with other London Boroughs. There has been no further developments on both matters to report on.
- 3.136 The Audit Commission is due to close on 31 March 2015. Current contracts with audit suppliers end in 2016/17, or potentially in 2019/20 if all the contracts are extended. A transitional body will oversee the contracts in the intervening period. The transitional body will be an independent, private company to be created by the Local Government Association (LGA).
- 3.137 Several of the Commission's functions will continue after its closure. The Local Audit and Accountability Act gave the Comptroller and Auditor General a duty to prepare and issue Codes of Audit Practice and guidance to auditors; and a power to carry out examinations into the economy, efficiency and effectiveness with which relevant authorities have used their resources. The Act also provided for the Commission's data matching powers, and therefore the National Fraud Initiative, to transfer to the Cabinet Office. The Government has announced that the Commission's counter-fraud function will transfer to a new public sector 'Counter Fraud Centre' to be established by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.138 Local government and NHS bodies could save as much as £440m if Whitehall extends Audit Commission contracts for local auditor services to 2020, the watchdog has said. The Commission, which is due to be abolished in March 2015, said it was reducing audit fees for local public bodies by £30m from 2015 to 2017, following its retendering in March 2014 of the work done under its older contracts. This was in addition to the 40% cut in fees made by the

commission in 2012 when its in-house audit work was outsourced. Audited bodies are also to share £6m in rebates from the commission, which it said represented savings made through 'efficient management of the closure'. This is in addition to the £8m rebated last March, and any remaining surplus will be returned to audited bodies in March 2015.

3.139 Members should note that KPMG will take over the external audit role from April 2015 but PWC will audit the 2014/15 accounts.

### 3.140 **Other Matters-Working arrangements with LB Wandsworth**

3.141 Given the satisfactory performance of the six audits commissioned from LB Wandsworth in 2013/14 and the vacancy arising in Internal Audit since August 2014, we have commissioned a further 9 audits from the 2014/15 audit plan totalling 105 days. These are Housing Benefit, Debtors, Capital Projects, Treasury Management, Children with Disabilities, Clinical Commissioning Group, Parks and Green Spaces, Property Management and Waste Services.

3.142 **Other Matters- Request for VfM study-** Members of this committee had requested that the Director of Finance carry out a VfM study offered by CIPFA. A Resource Benchmarking report based on unit costs has been prepared by LG Futures who were commissioned to provide the analysis. This report is with Chief Officers for comment and will be submitted to the next meeting of ER PDS.

### 3.143 **Risk Management**

3.144 Following informal discussions with officers responsible for Risk Management, Health and Safety, Business Continuity and Emergency Planning it was decided that we should explore potential opportunities for us to work closer together to align our structures and activities and strengthen our ultimate collective goal of a risk aware, safe and resilient organisation. As this is already happening to a large extent departmentally, creating a single corporate risk management structure should provide greater oversight and scrutiny of these functions, develop synergies and lead to less duplicated effort and a saving of officer time.

3.145 At an initial meeting with the Chief Executive it was agreed that the existing Risk Management Group should expand its terms of reference to encompass Health and Safety, Business Continuity and Emergency Planning (multi-agency Emergency Planning falls outside the remit of this new group unless there are judged to be implications for the Council). The emphasis should be on strategic issues rather than day-to-day activity

3.146 The new Corporate Risk Management Group (CRMG) chaired by the Chief Executive met on 3 November and agreed new terms of reference (Appendix F). This brings together the Risk Management Group, Corporate Health and Safety Committee and Corporate Business Continuity Group. The new CRMG will continue to report to Audit Sub Committee.

3.147 **Risk Register** - The risk register reflects a bottom-up approach in that the Assistant Directors are responsible for identifying those operational and strategic risks which they consider could potentially have an adverse impact on their services. These are then reviewed and agreed via their respective management teams.

3.148 Following work on evaluating the financial impact on high risks, the departments have carried out a review of their risks to include similar commentary on their medium financial risks.

3.149 Although it is accepted that some risks are difficult to value, departments have been asked to consider the following criteria when trying to put a financial value against a risk:

- Risks where a prior event has occurred and we know what the direct cost was;

- Risks which are currently materialising and where overspends have already been identified and reported as part of the budget process;
- Risks that may materialise in the future with the caveat that this is our best estimate on a worst case scenario

3.150 Currently the risk register contains 145 risks split as follows:

Risk Rating	Gross *	Net
High	79	19
Medium	54	73
Low	12	53

\* before any controls are taken into account

- 3.151 As risks classified as ‘non-financial’ are equally likely to incur monetary loss we now have commentary on an additional 32 medium net risks. For the purposes of this Committee we attach a schedule of the current net high risks (Appendix G) with commentary on the resulting financial implications.
- 3.152 The full risk register can be viewed on One Bromley under the ‘How do I?’ tab > Managers’ Toolkit > Risk Management and Insurance.
- 3.153 We also attach a copy of the draft Corporate Risks (Appendix H) which reflect our strategic concerns e.g. failure to deliver BBB, failure to live within our financial means. It also attempts to capture those cross-cutting risks within each division that individually may not be regarded as high risks themselves but collectively give us cause for concern.
- 3.154 The corporate and high net risks register will need to be reviewed to take in to account risks covering the workforce such as significant litigation risks and costs associated with continuing realignment of employment processes, challenging industrial relations and employee engagement issues and staff capacity/capability risks as the Council continues with the commissioning agenda. These risks will be considered as part of the consultation process involving management and the newly constituted CRMG.
- 3.155 Although this is still work in progress Councillor Onslow has already provided us with feedback on how we could improve the presentation of our risks. He was also able to attend the Corporate Risk Management meeting to address the same issue.
- 3.156 One of the actions from the meeting was that the Chief Executive updated managers on the high risks and corporate risks stressing the importance of risk management.
- 3.157 Risk Training**
- 3.158 We currently provide a ‘Managing Risk’ workshop to officers three times a year. This provides an overview of Risk Management, Health and Safety, Business Continuity and Emergency Planning. Attendees are encouraged to follow this up with one-to-ones with the officers giving the training where they require further information. Unfortunately due to a low take-up of places we had to cancel the most recent course in October.
- 3.159 In line with Learning and Development’s policy to move towards a web based e-learning environment rather than the traditional face-to-face trainer led sessions, we are seeking to develop a stand-alone e-learning package for risk management. The advantage is that officers can access the course at a time that suits them and we can monitor usage.

- 3.160 Our insurers, Zurich Municipal, have set aside an allowance of £12k out of our premiums for use on their risk management services for both strategic and operational issues. In the past this has been used for partnership work and reducing claims for 'slips and trips'.
- 3.161 A meeting has been arranged with Zurich Municipal on 24 November and we will be exploring how they can support us in improving presentational aspects of the risk register and the introduction of an e-learning package.

**4. POLICY IMPLICATIONS**

None

**5. FINANCIAL IMPLICATIONS**

Some of the findings identified in the audit reports mentioned above will have financial implications.

**6. LEGAL IMPLICATIONS**

There is a statutory requirement to provide an internal audit function through the Accounts and Audit Regulations 2011.

**7. PERSONNEL IMPLICATIONS**

Staff in breach of financial rules and procedures or acting inappropriately against the Council's legal and financial interests may be subject to disciplinary actions or/and police investigations.

<b>Non-Applicable Sections:</b>	Policy implications
Background Documents: (Access via Contact Officer)	Published internal audit reports on the web are discussed in this report.