

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 1 April 2015**

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

Title: **INTERNAL AUDIT PROGRESS REPORT**

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Chief Officer: Chief Executive

Ward: (All Wards);

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
- 3.29 Audit Activity
- 3.34 Waivers
- 3.39 Publication of Internal Audit Reports
- 3.42 VfM arrangements
- 3.47 Housing Benefit Update
- 3.53 Other Matters
- 3.56 Risk Management

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 November 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 of which 5 FTES including 0.5 FTE for a Risk Officer are in post.
 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 (2 outstanding priority one recommendations out of a previous total of 11 priority ones, Libraries Investigation (1 priority one), Behaviour Services (1 outstanding priority one out of a previous total of 7)) and Fixed Penalty Notices (6 priority ones) are all expanded on in detail in Part 2 of the agenda.

3.4 **Rent Arrears** – this has been tested as part of the audit of Temporary Accommodation. There are 8 categories of housing clients; B&B, LATCH, Leaving Care, Core and Cluster, Safepad, Travellers, Orchard and Shipman, and Debora Conway. The number of clients vary for each category.

There are no arrears for current clients for LATCH and Safepad as these schemes have ceased. It has not been established if there are any specific procedures to recover the arrears for former clients in either scheme.

Procedures are in place for the recovery of B&B rent arrears and have recently been created for Travellers. However it is apparent that limited action has been taken to recover arrears from former tenants. The current collection rate for former B&B clients is just 4% for December 2014-figures obtained from the Liberata Sundry Debts Monthly Monitoring report. The arrears figures for B&B clients have increased from about £1.4million on 10/01/12 to £2million on 10/01/15. For non B&B clients the increase has been from just over £500k on 28/12/12 to £1.5 million in December 2014. Therefore the recommendation relating to rent arrears is still outstanding.

3.5 Review of Purchase Cards

3.6 There were 3 priority ones raised following an audit of purchase cards- not keeping proper receipts; splitting transactions to circumvent maximum spend limits on single transactions; and VAT not being claimed back in some instances. Our follow up testing showed that:

- Not keeping proper receipts- audit testing showed that of 474 transactions processed in January 2015 only 34 did not have attached receipts and 20 from 192 for February 2015. The receipts are scanned on to the system and this is monitored centrally.
- Splitting transactions- audit testing showed that we had only had 2 instances of split transactions since the audit in July 2014 and none since October 2014. A monthly report identifies any split transactions and these are monitored centrally..
- VAT not being claimed back in some instances- a special exercise to identify and reclaim historical VAT was successfully concluded. This resulted in £27K VAT reclaimed by officers checking through old transactions. It was ascertained that since the audit an increased number of transactions now have VAT being reclaimed. For example when Internal Audit reviewed Feb 2014, of 424 transactions, only 110 had VAT. In December 2015, of 246 transactions, 123 had VAT accounted for. The monthly reports also identify transactions where VAT has been claimed or not and this is monitored for potential errors.

3.7 We therefore consider all three priority one recommendations for purchase cards to have been implemented.

- 3.8 **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 approximately 823 per month. An effect of this was that the commitment to incurring expenditure was not reflected in the budget reports. For the period January 2014 to January 2015, 8,981 retrospective orders were raised or 691 per month. Although this is an improvement it is still considered to be on the high side. Therefore this priority one is still to be implemented and will be reviewed as part of the next creditor audit in 2015/16.
- 3.9 **Looked After Children** - we had previously reported that this audit identified two priority one recommendations relating to:
- 3.10 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 was identified in the Family Placement audit. A follow up has shown that:
- To formalise the communication between the Foster Care team and Commissioning a movement form was introduced to CareFirst 10.11.14. An alert to the desktop, notifies the Children Placement's team that a placement has ended or that there has been a change in legal status. The bi monthly "transactions in error" report identifies any overpayments to be processed and monitored by the Central Placements team.
 - The overpayment to the foster carer identified in both the LAC and Family Placements audits is still outstanding. At a meeting in November 2014, officers from Bromley and Liberata met to review the case. At this time the foster carer had been removed from the register; children would not be placed with this carer which impacted on her ability to repay the debt owing. The meeting identified that the repayment of a £25 per month was not formally agreed by the appropriate officer and that the debt should have been in joint names. The foster carers concerned had jointly signed the foster carer agreement and therefore both are liable for the debt; their joint income should be considered for any repayment arrangement. An update received from Liberata in February 2015 shows that the debt is now £21,565. The Head of Service confirmed that the foster carer's application to the fostering panel on 5.3.15 had been rejected and she has been deregistered as a foster carer for Bromley. Management have requested that Liberata progress this case through the debt recovery procedures.
 - Although procedures have been implemented to mitigate overpayments for the service, the overpayment to the foster carer is still outstanding and therefore the priority 1 remains.
- 3.11 The second recommendation related to the 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 respect of care plan due dates. Testing has shown that:
- The Head of Service is working with the ECHS Performance and Information Manager to develop the monthly report generated from CareFirst, identifying children coming into care and the date of the care plan. Information produced needs to be refined to filter the cases that do not require a care plan. Of the 10 new cases processed in January 2015, 4 had care plans within the specified 10 days, 1 exceeded 10 days and of the remaining 5, 3 did not require a care plan but 2 cases were not supported by a care plan. The Department have evidenced a significant improvement to the availability of care plans and for management to monitor care plans, but as shown by the January data there are still omissions; the priority 1 recommendation will remain.

- The LAC follow up audit is included in the 2015-16 plan and will consider the improvements to the procedures for payment authorisation and timely completion of care plans.

3.12 Learning Disabilities

3.13 From the previous audit report issued in September 2013, sixteen recommendations were made of which 12 were priority one and four were priority two. There was a nil assurance opinion given in this audit. A follow up audit report in September 2014 identified that since the original Internal Audit report, we did 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. Also partial priority one implementations on staff training, recovery of an overpayment and ensuring that there were contract in place with some providers.

3.14 Audit testing in these areas showed that:

- All placement service lines and all personal care (agency) service lines now sit with the brokerage team. Brokerage receive weekly reports detailing service lines that are recorded on Carefirst but which are unauthorised. As a result the incidences of delays in timely authorisation of cases has decreased to an extent where it is no longer a priority one issue.
- Budget monitoring takes place on a monthly basis with a shared understanding between care management, commissioning and finance about the information that will be provided. There have been no further increase in cases identified as being in overpayment indicating that action has been taken to prevent such recurrences. A rolling register of complex cases is maintained and reviewed at every monitoring meeting. We therefore consider this priority one as being implemented.
- In respect of the overpayments due to the decision to pay by stream, Internal Audit were advised by the Business & Planning Manager that following discussions with the Head of ECHS Finance this has now been resolved with the provider. This previously partial implementation of the recommendation is now fully complete.
- Internal Audit have been informed that all the contracts with service providers are now in place. Therefore this previously partial implementation of the recommendation is now fully complete.
- Management have informed Internal Audit that mandatory training on Carefirst in the form of e-learning has been rolled out and completed by all LD care management staff. Therefore this previously partial implementation of the recommendation is now fully complete.
- As a result of the above we now consider that all the 12 priority one recommendations previously raised have now been implemented and therefor Learning Disabilities has been taken off the register.

3.15 **Leaving Care (Payments to Clients)**- A previous audit of this area resulted in a nil assurance opinion and 8 priority one recommendations were reported. The issues were in respect of the effectiveness of the overall controls for cash handling, supporting documentation, monitoring, reconciliation and review of pathway plans. A follow up interview with management has shown that :

- Management have agreed all the recommendations made in the audit review and are working towards implementation. Shortly after the audit report the monitoring officer left the Authority and as identified by the audit, was a key member of the team. A replacement has now been

appointed and the team are working to develop procedures and working practices to achieve the controls recommended by the audit.

- Policies and Procedures: The newly appointed monitoring officer has reviewed the working practices in the LCT and has rewritten the procedures, now available on the shared area for all appropriate officers.
- Documents to Support Payments and Authorisation: The Head of Service has introduced new arrangements for the use of petty cash, improving control, accountability, physical security and to comply with Financial Regulations. The Finance Officer responsible for the imprest is now a full time officer and clear timescales have been imposed regarding access to petty cash, completion of signed vouchers to evidence transfer, reconciliation of the account and authorisation. Vouchers and request for finance forms have been colour coded to readily identify the responsible team. Financial limits have been set for authorisation and the implications of not complying to the new procedures have been clearly defined. Finance officers and administrators have been put forward to complete the online Financial Regulations training. All officers in the division received the new procedures on the 6th March 2015 to go live on the 9th March.
- Cash Payments to Bank Accounts The client will sign to confirm that the bank account details held by the LCT are correct. Staff have been instructed that in all cases a receipt is to be obtained when cash is deposited into a client account.
- Monitoring of Payments The monitoring officer has reviewed the process to update individual client accounts. New arrangements are in place to ensure that more than one officer has access to and is able to complete this task rather than relying solely on one officer. Any payments over and above the agreed limits for a leaving care child is now subject to additional authorisation.
- Reconciliations The team are working with Finance to attempt reconciliation between the monitoring records held on CareStore and the Authority's main accounting system. It has been established that this cannot be a direct reconciliation but development of data held on spread sheets may improve control and is work in progress. The client specific "T code" cannot be included in the expenditure code if payment is generated from CareFirst and will still be shown as a default code. The monitoring officer will need to account for all default expenditure and allocate to client accounts for monitoring purposes.
- Pathway Plans The plans are now included on the performance digest, reported monthly to management to allow monitoring of completed plans and reviews.
- Purchase of storage space/Purchase Card The monitoring officer has reviewed the storage needs of the team and confirmed that unit is being fully utilised but is currently market testing alternative providers. The previous monitoring officer left the Authority with 29 transactions outstanding and unverified. The Group Manager is processing these payments and will authorise once allocated to a code and client. The LCT are reviewing their need for purchase card holders; expenditure will be subject to the same rigorous controls to be imposed for petty cash.
- Cash Security The Head of Service is moving the Finance Office and the safe from the ground floor to the first floor. The new cash procedures do not allow a sub float of cash holdings in the LCT. Any cash drawn for a client and not collected that day is to be held in the main safe for 24 hours then repaid and cancelled. Any officer found holding cash will be subject to disciplinary action.
- The Head of Service and senior managers have made significant improvements to the procedures relating to payments to leaving care clients and cash handling within the division.

However these procedures have only been operational for a short time and will need to be tested during the follow up audit, planned for quarter 1 in 2015-16. Members will be updated at the next meeting.

3.16 Review of Family Placements- 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 and there were 8 priority one recommendations in respect of overpayments, children’s savings, legal orders, special guardianship orders, kinship allowances, residence orders, adoption allowances and training. Internal Audit has only discussed the progress on implementation with management as it is proposed to follow up these recommendations as part of the main audit in the 2015/16 audit plan. The discussion with management has indicated the following:

- Overpayments-Individual cases were discussed. One case for about £21K (mentioned in 3.10 above) is being put forward for debt recovery action to recover monies. Another case for £10K has since been paid in full. For the smaller amounts of debt, the Head of Service is meeting with the Strategic Commissioner monthly to ensure that these cases are reviewed regularly. Recoupment of overpayments are now automatic from foster carers. A movement form has been introduced to ensure that if there is movement within the placement, the Brokerage team are alerted. All relevant documentation has been updated to incorporate recovery of overpayments such as fostering contracts, procedures etc. Internal Audit were informed that the level of overpayments had decreased but this has not been tested by Audit. Internal Audit were advised that further work is required in relation to the respite payments scheme.
- Savings-management has advised that the savings policy has been clarified with carers.
- Legal Orders-Internal Audit was advised that the Head of Social Care, CYP (East) had written to all their staff to ensure that all legal orders are uploaded to Carefirst/Carestore including backdating.
- Connected Person (Kinship)- Management advised that a huge piece of work has been undertaken in relation to the classification of these cases (and others). Work has been underway but recently there has been some slippage.
- Residence Orders- Management confirmed that welfare checks are now undertaken annually. The Residence Orders are now 50% of the fostering maintenance allowance. There has only been one new Residence Order this year.
- Adoption Allowances- The responsibility of this has since transferred to the Deputy Group Manager, Adoption Support who is supported by a Finance Officer. The Finance Officer undertakes consistent calculations. All documents have been updated accordingly. Individual cases have been reviewed and a decision taken to leave the current rates, there was minimal backdating and minor adjustments. If relevant documents are not provided to the Authority to confirm whether or not there has been a change in an individual’s circumstances then after two requests payments are ceased.
- Special Guardianship Orders- The Head of Service, Care & Resources referred to a report that went to the Safeguarding and Corporate Parenting Executive Working Party in January 2015. Within that report, it is stated that by November 2014 the number of children and young people being supported in special guardianship placements had increased substantially , some 370% increase in numbers between 2011/12 and 2014/15. It would appear that the increase in Special Guardianship Orders are a direct result to changes in the Care Proceedings framework whereby Care proceedings must be concluded within 26 weeks which has resulted in extended family members being viewed more favourably by the Courts as suitable carers. The Deputy Group Manager now manages the whole process. All documents have now been scanned onto the

system. This is a large cost pressure. A locum is currently undertaking the work of the Special Guardianship Officer, whilst recruitment takes place. The priority one recommendation related to regular financial assessments, rates paid and classification issues.

- Training-Management confirmed that a considerable amount of training has been undertaken. All administration staff have also been put forward to undertake the Financial Regulations and Contract Procedure Rules training.
- There will be a full follow up to the above recommendations in 2015/16, but from discussions with management it does indicate that there has been progress to implement them.

3.17 **Review of Essential Car Users-** 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 in relation to a number of essential car users who had claimed little or no mileage since the review of the scheme in November 2012, the need to check eligibility to drive cars for business purposes and having a car for use and the need to review criteria to prevent anomalies. As a result of our findings we gave a limited assurance opinion. A recent decision has been made to continue the essential car user scheme for 2015/16 . We have not followed up the recommendations and will do so before the next cycle of this Committee in June 2015.

3.18 There was a meeting following this Committee meeting with the Head of HR, Executive Director of ECS , Internal Audit and Cllr Onslow to discuss the insurance arrangements for business usage for car users and explore pooled cars/ car club arrangements. It was agreed that the insurance requirement for essential car users and casual would be more robust in terms of checking that staff had the necessary cover for business purposes. Pool car and car club arrangements would be further explored.

3.19 **Primary School-** 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. A follow up of this recommendation showed that the school have put in a number of changes to improve financial controls including

- Upgraded support from the Schools Finance Team (SFT) from bronze to gold service. Additional support has been purchased from SFT to focus on other areas such as benchmarking.
- Use of pre-printed cheques to reduce the risk of human error
- Adopting the use of LA procedures for procurement cards.
- Following a change in staffing, the bank reconciliations and procurement card reconciliations are now being carried out by the School Business Manager.
- The SFT have confirmed that all bank reconciliations are up to date and that there have been no further errors.

The priority one recommendation has therefore been implemented. Other recommendations from the audit will be reviewed in 2015/16 follow up audit.

3.20 **Review of IT Licenses and Asset Register-** 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. IT have yet to settle the 2015/16 charge as the invoice has not been received. However a tendering exercise has been undertaken for a reduced number of key fobs

(from 2,810 charged for last year to 2,000) and the lowest quote is in the region of £25k which would represent a saving of about £8k on last year. As a result of action taken by management, we consider this recommendation to have been implemented.

3.21 **Audit review of Transition Team**

- 3.22 Members should note that the full redacted report is available on the web. The management summary that explains the key issues is explained below.
- 3.23 The Transition Team supports young people and adults with learning disabilities from the age of 16 to 25. The team works with young people as they prepare to leave school by helping them to plan their futures. Therefore, clients may also receive additional SEN support for colleges and further education which is dealt with by another team.
- 3.24 There was one priority one recommendation in respect of direct payment cases being in under or over payment.
- 3.25 Out of the 27 clients selected for review, 24 received direct payments cases in part, as other services were also provided. In some cases overpayments were identified as well as underpayments.
- 3.26 Total potential overpayments identified in relation to direct payments for three cases of the sample selected totalled £6,484.
- 3.27 Total underpayment of £698 was identified in respect of three cases in the sample selected. It should be noted the personal care rate of £11.78 does not seem to have been uplifted in line with the 2014/15 Contributions Policy as expected and the effect is that the incorrect rate is in payment thus creating underpayments. It is the responsibility of the service to uplift rates at the next review as discussed at the Self Direct Support meetings.
- 3.28 There were six priority two recommendations that will be followed up in 2015/16.

3.29 **Audit Activity**

- 3.30 Members of this committee have recently been updated on both progress against the 2014/15 Internal Audit plan and all other work undertaken for the period April 2014 to March 2015 including work in progress for audits brought forward from the 2013/14 Internal Audit plan, unplanned work such as management requests, fraud and investigations.
- 3.31 We have been carrying 1.6 FTEs in vacancies that together with assisting in a major investigation has impacted on our ability to complete the 2014/15 plan.
- 3.32 In addition to the reported activity we have continued to the undertake the following work:
- Sold services to academies- Members should note that with effect from 1st January 2015 Internal Audit has ceased providing sold services to academies. It has been agreed that the Schools Finance Team who are now part of Liberata will provide audit sold services to academies. They have also agreed to undertake closure audits on our behalf. Internal Audit will however continue with the cyclical maintained school audits and follow up work as outlined in the Internal Audit Plan that is on this agenda.
 - Ongoing training- set up and monitoring of the web based training package for Financial Regulations (FR) and Contract Procedure Rules (CPR) will be updated this year.
 - Fraud and investigations reported 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 and assisting in the transfer of the benefit fraud service to the DWP due officially on the 1st July 2015.
 - Liaison work with our external auditors in preparation of their audit of the 2014/15 accounts
 - Committee work
 - Data gathering for NFI 2014. The summary of matches is reported on part 2 of the agenda.
- 3.33 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.
- 3.34 Waivers**
- 3.35 Members of this Committee took the decision to only report on waivers sought under the Contract Procedure Rules 3 and 13.1 and to therefore exclude specific exemptions provided to officers under the Council's Scheme of Delegation which relate to social care placements. The list attached as Appendix B reflects waivers sought for the period October 2014 to February 2015.
- 3.36 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 2014 and covered waivers sought up to September 2014. 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.
- 3.37 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;
- 3.38 **£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.
- 3.39 Publication of Internal Audit Reports**
- 3.40 At the last meeting of this Committee we reported our third batch of Internal Audit reports finalised since June 2014 that was published on the web. We gave explanations for seeking exemptions from publicising for two reports- Internet Usage and Fixed Penalty Notices. We are seeking exemptions for one investigation report and the reasons are given in Part 2 of this agenda
- 3.41 Since the last cycle of this Committee we have published a further 17 redacted final reports.

- Pupil Referral Unit Closure Audit
- Leavers Procedure Audit 2014-15
- Worsley Bridge Primary School Audit
- Adult Education College Audit for 2014-15
- Follow Up Audit of Registrars (Tell Us Once Scheme)
- Audit of Section 75, 76 and 256 agreements between LB Bromley and Bromley CCG 2014-15
- Review of Street Cleansing Audit for 2014-15
- Internal Audit review of St Peter and St Paul Catholic Primary School
- Internal Audit review of St Mary Cray Primary School
- Council Tax Audit 2014-15
- Procurement Audit 2013-14
- Internal Audit review of Chislehurst [St Nicholas] C of E Primary School
- Pensions Audit 2014-15
- Review of Transition Team
- Review of Libraries
- Review of NHE Health Check Programme
- Clare House School Audit

3.42 Value for Money Arrangements

3.43 We had previously reported that we rolled over three reviews of VfM arrangements due to time spent on investigations. One of these i.e. Family Placements was reported in the last cycle. Temporary Accommodation has been completed and is reported below. The third audit on Planning Enforcement is currently ongoing and VfM arrangements for the Planning Section will be reported up on at the next cycle of this Committee.

3.44 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 3 out of 4 is reported, which is substantially met.

3.45 There are aspects of VfM in place but given the volatility of the budget in the service we can only assess it as an overall rating of 3.

3.46 This score of 3 is based on:

- Benchmarking rated as a 3. The benchmarking was carried out against other London authorities and cities across the country. Performance is broadly quite good, though varied. Benchmarking has resulting in a number of improvements being made to the service and liaison with other authorities.
- External assessments are rated as 3 based on external mystery shopping undertaken of the housing service and Audit Commission homeless diagnostic rating.
- Customer surveys, a rating of 3 based on Landlords questionnaire and feedback, mystery shopping and reviewing of complaints. The number of complaints against the service had increased between 2012/13 and 2013/14, which resulted in a team restructure and training being undertaken by staff.
- Budget as 2 based on the continued pressure on the budget due to increasing volumes of TA placements. The number of clients placed in nightly paid accommodation (NPA) was 530 in December 2014, this is up from 387 in September 2013 and 284 in March 2013. As a result of this increasing client numbers having to be placed in NPA, expenditure has also increased considerably.

3.47 Housing Benefit Update

- 3.48 Members had previously been informed that the proposed move by the DWP towards a Single Fraud Integrated Service (SFIS) will now occur on the 1st July 2015. We have met with the DWP and informed them that there are no TUPE implications as no staff are transferring over. We have ascertained that there is a need to employ 2 FTEs to cover off all LB Bromley related fraud and pro-active exercises. These staff will be managed by RB Greenwich under a new fraud partnership to take effect from 1st April 2015. The fraud partnership with RB Greenwich has been successful since its inception in 2002.
- 3.49 Our meetings with the DWP have been positive with a desire by all parties to work closely both pre and post transfer. It is likely that data migration will take place by 1st June 2015 at which point we will cease taking on any new cases as these will be referred to the DWP. Any cases where there is a summons at the point of transfer will still be the responsibility of LB Bromley. Cases which are work in progress but have not reached prosecution stage will be transferred to the DWP.
- 3.50 Since the commencement of the partnership in April 2002, through to February 2015, the Council has successfully prosecuted 390 claimants to date for benefit fraud; issued 352 court summonses; given 103 formal cautions; and administered 421 penalties. The full details and appendices on trends are shown in Appendices C, D and E.
- 3.51 The NFI 2014 data matching results are now in and appear in part 2 on this agenda. This has resulted in cases of benefits matches to various source data such as payroll, pensions, market traders, taxi drivers, student loans, insurance claims, housing waiting list etc.
- 3.52 Members may be interested to note that the latest DWP statistics on housing benefit recoveries and fraud data covering the period from April 2014 to September 2014 indicated that:
- the total value of housing benefit overpayments outstanding at the beginning of the second quarter of 2014/2015 was around £1.44bn, an increase of 9 per cent over the previous year;
 - the total value of housing benefit overpayments identified during the first two quarters of 2014/2015 had increased by 2 per cent in comparison with the same period in 2013/2014;
 - the total value of housing benefit overpayments recovered during the first two quarters of 2014/2015 had increased by 5 per cent in comparison with the same period in 2013/2014;

- the total value of housing benefit overpayments written off in the first two quarters of 2014/2015 was almost £36m, a 14 per cent increase on the same period in 2013/2014;
- the number of full time equivalent fraud investigators had continued to reduce between April 2014 and September 2014, a reduction of around 9 per cent in comparison with the same point last year;
- there had been a decrease of around 13 per cent in the number of cases referred for fraud investigation during the first two quarters of 2014/2015 in comparison with the same period in 2013/2014;
- the number of cautions offered and accepted in the first two quarters of 2014/2015 had fallen by around 15 per cent when compared with 2013/2014;
- the number of administration penalties offered and accepted in the first two quarters of 2014/2015 had fallen by around 20 per cent;
- 3,135 prosecutions resulting in guilty outcomes between April 2014 and September 2014, a decrease of 26 per cent in comparison with the previous year.

3.53 Other Matters-

3.54 **Web based training** -There will be a need to update both Financial Regulations and the Contract Procedure Rules to take into account the transparency requirements and the new EU Procurement Regulations. This will be brought to this Committee towards the end of the financial year. We will also be trying to introduce a web based training package covering major issues of weaknesses identified in audits in respect of internal controls; attempt to introduce a web based training package for risk management and update the fraud focus training package.

3.55 **External Auditors**- From the 1st April 2015 our External Auditors will be KPMG.

3.56 Risk Management

3.57 We had previously reported that we had set up a new Corporate Risk Management Group (CRMG) chaired by the Chief Executive and agreed new terms of reference. 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.

3.58 Risk Register - The risk register is being updated as part of the Annual Governance Statement (AGS) review. Pending the outcome of Zurich Municipal's review we will continue to report the current net high risks with commentary on the resulting financial implications. An update will be presented this Committee at the next meeting. Zurich has already indicated that in their view our current risk scoring matrix is fairly conservative.

3.59 Risk Review -Zurich Municipal

3.60 We are currently working with Zurich Municipal on two workflows to carry out a Public Health Risk and Insurance review and to develop a Risk Development Road Map which will potentially identify areas for improvement in our risk management systems.

3.61 Following a desktop review of key documentation, Zurich met with the Director of Public Health and her senior management team last month. The objective was to identify what clinical services we commission, our liability in the event of something going wrong, and the possibility that any negligence on our part may result in an insurance claim. The outcome of this review is assurance that our existing insurance cover is adequate, and a detailed risk register that can be

used going forward when we next re-tender our insurance policies. Zurich will report back to Public Health

- 3.62 The Risk Development Road Map is less developed although we have held a couple of meetings with Zurich and provided copies of relevant documentation including the risk management strategy and toolkit, and the risk register. The next stage will include a meeting with key individuals involved in the risk process and further departmental meetings as required. Currently Zurich are scheduling the end of April to complete this stage which should cover 'quick wins' and further work as required.
- 3.63 The cost of these reviews forms part of our insurance premium and there is no extra cost to Bromley.
- 3.64 Risk Training- HR, Workforce Development has agreed that we can utilise the new e-learning package (Learning Nexus) to produce an online tutorial for risk management. In the circumstances we have cancelled the face-to-face 'Managing Risk' workshops scheduled for 2015/16. The aim is to provide a 30 to 40 minute interactive package that officers can access and complete in their own time. Zurich Municipal has offered to assist us in this process as part of their current review.
- 3.65 Annual Governance Statement (AGS)**
- 3.66 The preparation and publication of an AGS in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) / The Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government: Framework 2007, and an addendum published in 2012, is necessary to meet the statutory requirement set out in Regulations 4 (2 and 3) of the Accounts and Audit (England) Regulations 2011.
- 3.67 This requires a relevant body to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and 'to approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.
- 3.68 The AGS explains how Bromley has complied with its own Code of Corporate Governance which reflects the following six core principles of good governance:
- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
 - Members and Officers working together to achieve a common purpose with clearly defined function and roles.
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.
 - Developing the capacity and capability of Members and Officers to be effective.
 - Engaging with local people and other stakeholders to ensure robust public accountability
- 3.69 Our Code of Corporate Governance was last updated and approved by full Council on 23 September 2013. CIPFA are reviewing the Framework to ensure that it remains 'fit for purpose' with the aim is to publish an updated framework and guidance in late 2015. We will review and update the Code in line with their new guidance.
- 3.70 As risk management features strongly in the AGS process, this year's review will be coordinated by the Corporate Risk Management Group. The purpose of the review is to provide assurance from a number of sources including Members, Directors, internal and external audit, other review agencies and inspectorates that corporate governance arrangements are adequate and

operating effectively; or where gaps are revealed, action is planned that will ensure effective governance in future.

3.71 The assurance gathering process includes a full review of the risk register, the completion of a checklist and the signing of assurance statements by the Directors and Assistant Directors.

3.72 The AGS is signed off by the Chief Executive and the Leader of the Council and accompanies the Annual Report and Statement of Accounts.

3.73 Last year the following significant governance issues were identified:

- Capacity to make further budget savings and maintain frontline services. Looking ahead, the continuing reduction in the financial settlement from the government and on-going cost pressures on the Council have opened a significant funding gap over the next four years, which it will be challenging to close.
- Decision to become a Commissioning authority
- Welfare reform agenda

3.74 These governance issues remain ongoing although whether we should continue to report them as significant will need to be discussed as part of the review process.

3.75 The AGS will be presented to the next meeting of this Committee for approval.

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.

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