Report No.
CEO 15011

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**AUDIT SUB-COMMITTEE**
Date:	**Tuesday 1 December 2015**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**INTERNAL AUDIT PROGRESS REPORT**
Contact Officer:	Luis Remedios, Head of Audit Tel: 020 8313 4886 E-mail: luis.remedios@bromley.gov.uk
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:-

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2. RECOMMENDATION(S)

a. Note the Progress report and comment upon matters arising.

b. Note the list of Internal Audit Reports publicised on the web.

c. Note the list of waivers sought since March 2015.

d. **Note the continuing achievements of the counter fraud partnership with the Royal Borough of Greenwich and impending changes.**

e. **Approve the amendments made to the Corporate Financial Regulations.**

f. **Approve the revised Anti-Fraud and Corruption Policy**

g. **Note the arrangements around risk management.**

h. **Note the Letter of Representation**

i. **Note the Training- Audit Controls**

Corporate Policy

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

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: £540K including £174K fraud partnership costs
5. Source of funding: General fund, Admin subsidy, Admin penalties, Legal cost recoveries

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Staff

1. Number of staff (current and additional): 6 FTE including 0.5 FTE risk officer post
2. If from existing staff resources, number of staff hours: 209 audit days per quarter is spent on the audit plan and fraud and investigations with 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:

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 110 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: Not Applicable

3. COMMENTARY

3.1 The latest list of outstanding priority one recommendations is shown in Appendix A. There has been further addition detailed below or in Part 2 since the last meeting of this Committee. There has also been some movement in priority one recommendations brought forward that are detailed below

3.2 Progress on implementation of recommendations for Fixed Penalty Notices (1 outstanding priority ones out of 6- see part 2). New Priority one recommendations relating to the stray dog contract, CCTV, Waste Services, Astley Day Centre and Disabled Facilities Grants are covered in part 2 of this agenda). The rest of the updates are detailed below. Family Placements (of the 8 priority one recommendations 3 remain outstanding and 5 partially implemented); Looked After Children (2 priority ones made both implemented); Leaving Care (9 priority 1 recommendations made of which 7 have been implemented and 2 are partially implemented); Creditors (1 outstanding priority one recommendation out of 1priority one made); Essential Car Users allowances (3 priority one recommendations made, of which all 3 have been implemented); Transition Team (1 priority one recommendation made which is outstanding); and Domiciliary Care (2 priority one recommendations made both of which remain outstanding). There is also a brief reference below to the outstanding priority one recommendations on Rent Arrears. There is a new recommendation on a primary school.

3.3 **Family Placements**

3.4 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 followed up these recommendations and reported to the previous meeting of this Committee that progress was not satisfactory and that six priority one recommendations remained outstanding, one partially implemented and one i.e. adoption allowances fully implemented. The second follow has been completed and our findings are shown below.

- Overpayments: During the follow up audit in September 2015, the level of the overpayments £56,592.61. The amount outstanding as at 7/10/15 was £61,264.66. These relate to the aged debt report.
  The large overpayment of £21K is still outstanding. The original invoice has been cancelled and reissued in joint names and it should be noted that there has been some payment against the outstanding amount albeit minimal.
  The review of the respite rates remains outstanding as confirmed by the Head of Service, Care & Resources and was highlighted within the original report.
  A report detailing overpayments to foster carers of allowances and retainers was provided to the Auditor on 11/11/15.The total of overpayments was £2,436.62 and the report is dated 9/11/15. These are over and above the aged debt report. This remains as partially implemented.

- Savings: During the follow up report in September 2015 this had been marked as partially implemented. The Auditor requested evidence that savings are confirmed as part of the review process. The Auditor is awaiting a response from management. This remains as partially implemented.

- Legal Orders: Sample testing was undertaken for Residence Orders and Special Guardianship Orders (SGO's). It was found that for 4 out of 10 residence orders, the legal order could not be located within Carestore. For the SGO's all ten legal orders were located. The Head of Service, Care & Resources, confirmed that the department had made progress and had approximately 90% of the legal orders. Internal Audit recognises that there has been progress here. This remains as partially implemented.

- Connected Person (Kinship): A sample of ten kinship/connected persons allowances, were tested. It was found that two payments had not been automatically uplifted and therefore underpayments had been made since 1/4/15 in both cases for approximately £250 in total. This remains as partially implemented.

- Residence Orders: Out of a sample of ten cases, it was found that 4 residence legal orders could not be located. It should be noted that some of these rates may have originated from when these allowances used to be financially assessed but none of the rates reconcile back to the agreed rates for residence allowances currently. The original records were also not available for review. This applied to six cases.
  Additionally, for two cases the cost of living increase had been missed and therefore underpayments had been made of approximately £75.00 in total. A further case had been set up with a specific amount rather than an age related rate. A response is awaited from management but the underpayment in this case is approximately £550.The service will also undertake the residence order welfare checks, which is good practice. Information has been requested from management to verify that the welfare checks are up to date. This recommendation remains as outstanding.

- Special Guardianship Orders: Sample testing was undertaken for ten special guardianship order (SGO) allowances. All of the SGO legal orders could be located .However; these allowances are subject to an annual financial assessment. Issues arose with 4 out of the ten cases sampled. For two cases the financial assessment form could not be located and therefore the allowances in payment could not be verified. For the remaining two cases, one allowance was due to stop in October 2015 (no exact date), but payments remained in place at the time of testing. The last case the allowance was due to change once the carer had claimed child benefit/child tax credit. There was no indication when this was likely to be completed as the allowance level would be affected. This remains as partially implemented.

- Training: -Information was requested from the Head of Service, Care & Resources and the Group Manager, Family Placements. This information was not readily available. Internal Audit tested nine members of staff that may have completed the mandatory training for financial regulations and contract procedure rules. It was found that only one out of the nine members of staff had completed and passed the training. It was noted that some of the staff still had not been identified as needing to complete the training and therefore had not yet been set up. The Group Manager advised that staff had received Carefirst training. We have been informed by management that staff will be required to complete the financial regulations and contract procedure rules training as soon as possible. This recommendation remains as outstanding,

- This recommendation was increased to a Priority 1 recommendation during the follow up report in September 2015.A report was provided to the Auditor detailing that there were 10 outstanding DBS checks from 20/7/15-24/10/2015. Of these 10, 8 were at Stage 4 and over 60 days. Furthermore, 8 carers had children currently placed with them with an outstanding DBS check at the time of the review. Management had previously stated that ' formal risk assessments are undertaken and an increase in visiting frequency must be put in place where there is a delay in obtaining an up to date DBS and a child is already in placement'. The auditor was advised that the risk assessments were located within Carestore, but all 8 could not be located on 12/11/15.The Group Manager has since advised that two of the DBS checks have since been received and provided evidence of risk assessments. The increased visits are not recorded separately**.**

- Of the 8 priority one recommendations tested to confirm implementation showed that 3 were still outstanding and 5 were found to have been partially implemented.

3.5 **Leaving Care (Payments to Clients)**

3.6 A previous audit of this area resulted in a nil assurance opinion and 9 priority one recommendations were reported to this Committee. The issues were in respect of the effectiveness of the overall controls for cash handling, supporting documentation, monitoring, reconciliation and review of pathway plans. At the previous meeting Members were updated on the progress made by management to implement the 9 priority one recommendations identified in the audit review. Although significant improvements to the procedures relating to payments to leaving care clients and cash handling within the division, these procedures had only been operational for a short time and therefore Internal Audit concluded that 2 were outstanding, 6 were partially implemented, and one i.e. cash payments to bank accounts was implemented. The second follow up review has been completed and our findings are shown below:

- Policies and Procedures: The monitoring officer has now completed the procedure notes and included the areas suggested during the follow up audit. The section relating to imprest will need to be updated once the new imprest officer has been appointed and roles and responsibilities for the monitoring officer may need to be revised. This recommendation is now considered to be implemented

- Documents to Support Payments and Authorisation: The previous update to committee reported a shortfall of £218 at year end for the imprest managed by Children's Services. Since then Finance and Internal Audit have met with management to discuss the numerous errors found by Finance, indicating that the £5K and £10K imprests were poorly run and poorly managed. The errors indicated that there was no basic grasp of imprest management and the cash book was altered to match the cash balance. The bank statements had not been included in the reconciliation to independently verify the account. Finance did not identify any fraud however the record keeping at the time was so poor it would not have been possible to evidence financial irregularities. Management immediately imposed additional controls; the LCT monitoring officer was tasked with supervisory responsibility and the Group Manager would independently reconcile the accounts. Management have agreed to create a permanent finance officer post with a suitable personnel specification.

  A sample of 5 clients was selected to check the accuracy of data shown on the payments schedule, completion of the Request For Finance (RFF) forms and petty cash vouchers. 10 RFF were correctly authorised and completed with the P and T number to identify the client. For the petty cash vouchers checked, three signatures were evidenced to support the transfer of cash from imprest holder, case worker and client. The supporting documentation was available as a scanned record on CareStore.
  The original recommendation relating to documentation and authorisation is now considered to be implemented.

- Monitoring of payments: Case workers are now responsible for updating their client's payments record. The monitoring officer will reconcile the payments shown in ORACLE to the client payment record on monthly. For the sample selected, payments for the capped grants were recorded on the individual client record. This recommendation is now considered to be implemented.

- Reconciliations: As discussed above the monitoring officer now reconciles client records held on CareStore to ORACLE monthly. Any payments through CareFirst do not have the Client T number on the expenditure code as the relevant field has insufficient characters. The expenditure is therefore allocated to a default code that the monitoring officer now reviews monthly and allocates to the correct client. VAT is also accounted for as the team now consistently record the gross value against the grant. This ensures that clients receiving their Setting Up Home Allowance (SUHA) as cash payments receive the same value as those

ordering SUHA items through the Authority's procurement procedures. This recommendation is now considered implemented.

- Pathway Plans: Pathway plans continue to be a priority for the team and there has been significant improvement. A Business Objects report run for 29.10.15 detailed the all leaving care clients and the date due for the next pathway plan. 198 clients were identified on this report of these, 46 (23%) were outstanding as at 28.10.15. Allowing for a two week tolerance, 35 (18%) were overdue, 20 (10%) were overdue using a 1 month tolerance and 11 (6%) were more than 2 months overdue. For the 5 clients selected for audit examination the pathway plans have been completed 6 monthly within a 2 week tolerance. The administration, control and execution of pathway plans has improved since the original audit finalised in September 2014. However for the timely completion of pathway plans, compliant to legislation and to negate adverse comments from external inspections it is suggested that 10% overdue by more than one month still evidences a need to improve and the recommendation will therefore remain as partially implemented.

- Storage space: The LCT has reviewed storage opportunities with alternative suppliers, but costs also needed to be measured against accessibility. Several firms offered comparable terms but were introductory offers that would increase in the medium/long term. The market testing has allowed the Group Manager to renegotiate better terms with YellowBox and the Authority are now paying £140 per month compared to the £355 evidenced during the audit. There is now an inventory of stored items and the review did lead to a reduction in items held. The team are considering the retention policy for stored items which will need to be formalised and agreed. In practice the Group Manager can assess the merit of each case. Sufficient progress has been made to close this recommendation

- Purchase card: The purchase card transaction report issued to officers in October 2015 was used to select 5 payments made by the leaving care team. Of the 5, 2 were satisfactorily checked to the payments schedule and supported by an authorised RFF. For 1 transaction the payment appears to have been part of a multiple RFF and it is not clear on the payment schedule if the correct payment has been posted. For 2 of the 5 selected the purchasing officer has not yet validated the payment to allocate the spend to the client and budget code. These payments related to 09.07.15 and 24.07.15. The transaction report identified 3 officers in the leaving care team with outstanding purchases not validated in a timely manner. The total spend on these outstanding transactions is £7,356.95 relating 48 transactions, procured between 10.1.15 to 10.10.15. The supporting documentation has improved for the leaving care payments but the timely validation and authorisation of purchase card transactions needs to be improved and the recommendation is therefore partially implemented.

- Cash security: An audit check on the LCT safe was carried out on the 29.10.15. Three envelopes for £30, £40 ad £80 were secured and agreed to the entries record on the schedule. The safe record was well kept, evidenced that uncollected funds were returned the imprest account and officers had signed each entry to evidence accountability. The team site records the balance for food vouchers held however there was a difference of £20; £455 counted, £475 expected. The Group Manager evidenced a £20 gift voucher awarded to a client that had been exchanged for equivalent value food vouchers. This practice should not have been allowed; the voucher record will be amended with an adequate audit trail to evidence the adjustment and account for the gift card. Significant improvement has been made to cash security in the section and this recommendation is considered implemented.

- To summarise, the findings of this review are that of the 6 partially implemented recommendations 4 are implemented and 2 relating to pathway plans and purchase cards remain as partially implemented but acknowledged that the team have evidenced further improvement this time. For the two outstanding recommendations relating to storage and supporting documentation, sufficient improvement has been evidenced to consider these

recommendations to be implemented. Internal Audit and Finance continue to liaise with the Department to remedy the issues regarding the administration of the imprest account and this will be reviewed outside of the P1 process.

3.7 **Looked After Children**

3.8 The audit review was finalised in May 2014, identifying two priority 1 findings that have been reviewed for previous audit sub meetings to update on the progress to implement the recommendations relating to payment authorisation resulting in a case of overpayment and timely completion of assessments and reviews. This is the fourth follow up and the findings are shown below:

- Payment authorisation- The original invoice to recover the overpayment was issued to the wife only, however the husband and wife are jointly responsible for the debt and had both signed the agreement as foster carers. The invoice was reissued at the beginning of October to the couple. As at 4th November, the outstanding balance is £21.2K; £50 is being paid monthly as two separate £25 payments, although this is not an agreed arrangement. The debt is subject to recovery procedures and one reminder letter has been sent. The couple have contacted Liberata as they are unable to make proposed payments as both are part time students, on benefits and experiencing financial hardship. Liberata are investigating these claims and will consider the next action to be taken once all enquiries have been concluded.

  A sample of 5 LAC cases were selected for audit examination to ensure that the period of care was supported by an authorised funding decision, completed in a timely manner. For 4 cases there were no issues arising however for 1 case the fostering team had authorised a kinship payment outside of the agreed procedure and had not involved the Central Placements Team. This placement related to February 2015 and the Head of Service confirmed that the system has been changed in August 2015 to improve control. This case indicated a weakness in the Fostering Team rather than the LAC team and has been passed included in the Family Placement follow up for consideration. Sufficient progress has been made by the LAC team and with the overpayment now in debt recovery this recommendation is implemented.

- Timely completion of assessments and reviews- The second recommendation related to the timely completion of assessments and reviews. The sample of 5 cases was discussed with the LAC Group manager checked to CareFirst. In all cases there were care plans and placement plans completed and authorised in a timely manner for the period of care selected. The recommendation is therefore considered implemented.

3.9 **Creditors**

3.10 The original Internal Audit report identified that there was a significant number of orders that were raised retrospectively. A ‘retrospective purchase order’ report was run in May 2013 that showed that after adjustments there were 3,290 orders that had been made in the period 30/01/13 to 30/05/13, with two thirds of these attributed to 30 officers. Raising orders is crucial to committing expenditure for accounting purposes as well as verifying goods received to what was ordered. A recent audit has shown that there is still an issue with raising retrospective orders. The previous follow up showed that for the period 01/01/14 to 31/01/15, 8,981retropective orders were raised or 691 per month. The latest follow up showed that for the period 1/07/15 to 30/09/15 1,818 retrospective orders were raised with 64% of these relating to six areas including Housing accounting for 43% of the total. A new system for Housing is currently being tendered for that will have purchase order functionality and is expected to address this issue. It has been agreed that Chief Officers will address the problem areas that

should result in a reduction of retrospective orders. The recommendation therefore remains outstanding.

3.11 **Rent Arrears –Emergency Accommodation**

3.12 In 2011-12 when this recommendation was first made the total amount of rent arrears was £1.3 million and at the time there were 326 clients in temporary accommodation. By February 2015 890 number of people being housed in TA. We had previously reported that the arrears figure was £3.57 million at December 2014 and that the increase was partly a result of write offs not being actioned, a reconciliation to close accounts for Orchard and Shipman clients not having taken place (which is expanded upon in Part 2 of this agenda) and the increased number of clients being placed in TA. Action has been taken to rectify these findings however at October 2015, the rent arrears had increased to £3.58 million, with 953 clients in temporary accommodation. Write offs were actioned and the reconciliation with Orchard and Shipman is underway (as identified in the Audit of Orchard and Shipman) that could further reduce the arrears figure. There remains a high level of uncollected rent and therefore this recommendation remains outstanding.

3.13 **Review of Essential Car Users**

3.14 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. The reimbursement of car allowances has been reviewed and the essential user car lump sum payment is to be phased out commencing in 2016/17 and ceasing in 2017/18.

3.15 Review Usage-The previous follow up on the issue of essential car users who had claimed little or no mileage showed that there were 7 essential car users who had not claimed any mileage which was referred to management for review. A review of these users was carried out and explanations given. Management have stated that yearly reviews will be undertaken to ensure continued entitlement to the allowance until the scheme is phased out.

3.16 Check eligibility to drive cars for business purposes and having a car for use- all managers have been reminded of their responsibility to check both driving licences and insurance cover for business use.

3.17 **Transition Team**

3.18 A priority one recommendation was made in respect of overpayments and underpayments on a sample of direct payment cases that was reported to this Committee.

3.19 A new Interim Team Manager is in post and the recommendations made within the report are in the process of being actioned and overpayments are due to be clawed back. At the time of undertaking the follow up the recommendation was still to be actioned and therefore, the priority one recommendation is still outstanding. This still remains a priority for the service and will be managed through the finance meetings scheduled.

3.20 **Domiciliary Care-**

3.21 An audit of this area resulted in two priority one recommendations relating to service agreements closed on incorrect dates and also non closure. Sample testing showed that at the time of the audit, out of the sample of 44 cases selected for review, issues arose in 14 cases in

relation to the dates of service and in one case non-closure. The second recommendation related to Extra Care Housing where in three units the actual hours delivered was not reconciled to planned hours. A follow up of these two recommendations has shown that:

3.22 The follow up of the recommendation in respect of the closure of services for deceased clients, 3 cases had been closed on differing dates from the expected end date and for one case the client is marked as deceased but the service agreements remain open on Carefirst. These have been queried with the Commissioning team initially and a response is awaited. This recommendation remains outstanding.

3.23 In respect of the actual hours reconciling back to the planned hours the following issues arose with seven cases. The actual hours delivered in a specific week were reconciled back to the planned hours and any variances noted. For six cases queries were raised with the variances for sample weeks, one client had been missed off the spreadsheet and there were no timesheet for this client. Issues also arose with reconciling the planned hours on Carefirst. These queries regarding the variances and reconciling hours have been raised with the Group Manager. This recommendation remains outstanding.

3.24 **Primary School**

3.25 An audit of this School resulted in a priority one recommendation in relation to cash control. Examination of the safe list (provided in the 2013-14 cash and Bank audit) found the limit for cash to be held in the School's safe was £600. Counting of all of the cash held in the safe found it totalled £4939. It was discussed with the Business Manager that it was not always possible to keep everything in the safe due to the size off it. It was also noted that items such as paying in books and bank mandate are held in the safe, which do not need to be. Stamps are held in the safe, though there is no stock control process in recording the use of these and how many have been purchased. Money held in the safe, related to scholastic books sales (£468), uniform sales (£67) and PTA Disco money (£898) but there are not records held to substantiate the amount held. Additionally a log is not kept of items held in the safe. In addition to this £3340 of school money to be banked was also held in the safe. Money taken for the School shop (sale of stationery) is not held in the safe, but in a lockable cupboard in the office. Since the completion of this audit the School has converted to an academy and therefore this recommendation will be followed up by the responsible officer.

3.26 **Audit Activity**

3.27 Members of this Committee were recently updated of our progress against the 2015/16 internal audit plan, completion of work brought forward from the 2014/15 plan and investigations. The period covered by the update was April 2015 to September 2015. There has been some slippage in the 2015/16 internal audit plan due to priority one findings arising from our investigations and audits that appear in part 2 of this agenda. The returned audit satisfaction questionnaire indicates a score of 4.3 out of 5 on finalised audit reports which is good. In addition to audit planned work we also carried out the following:

- Fraud and investigations.
- Updating Financial Regulations and the Fraud and Corruption Strategy.
- Advice and support on Financial Regulations, variations to change in system controls.
- Liaison role in assisting management inquiries.
- Monitoring role of the Greenwich Fraud partnership.
- Developing an e-learning training package in respect of audit controls.

- Liaison work with our external auditors in preparation of their audit of the 2014/15 accounts.
- Updating the risk register to promote consistency.
- Involvement in proactive exercises.
- Committee work.

3.28 **Publication of Internal Audit Reports**

3.29 At the last meeting of this Committee we reported our fifth batch of Internal Audit reports finalised since March 2014 that was published on the web. In total 76 reports were publicised on the web. We gave explanations for seeking exemptions from publicising for four reports- three on contractual matters and one report on whistle blowing allegations.

3.30 Since the last cycle of this Committee we have published a further 20 redacted final reports making a total of 96 since publications first started.

- Parks & Greenspace
- Property Management
- Commercial Property Rents
- Direct Payments
- Downe Primary School
- Planning Enforcement
- Merit Pay
- Review of Debtors-Income
- Follow up Audit of Family Placements
- Follow up Review of Leaving Care
- Housing Benefit Review
- Follow up Review of Purchase Cards
- Building Maintenance Audit
- Follow up Review of IT Licenses & Asset Register
- Oak Lodge Primary School
- Follow up Review of Pooled Cars & Fuel Cards
- St Olave's & St Saviour's Grammar School
- Main Accounting

- Review of Exchequer and Customer Services Contract

- Review of Green Garden Waste

3.31 **Waivers**

3.32 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 March 2015 to September 2015.

3.33 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 March 2015 and covered waivers sought up to February 2015. 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

3.34 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 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.

3.35 **Value for Money Arrangements**

3.36 We had previously reported that we still had to complete one rolled over review of VfM arrangements for Planning Services. This is now reported on below.

3.37 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.

3.38 The assessment of the value for money arrangements was based on the following findings.

- A benchmarking exercise was completed for 2014/15. For Planning and Development Services, Bromley's unit costs were 12.1% lower than the nearest neighbour average and were ranked 12th highest in the group. Compared to other authorities across England, Bromley's unit costs were 53.3% lower than average. Its unit costs were ranked 106th highest out of 123 comparable authorities (with 1 the highest cost).

- Customer satisfaction feedback is regularly requested. Results indicate a satisfaction level of around 62% which is around the average for Local Planning Authorities based on the last available national data.
- Complaints are monitored but improvements are suggested. See Finding 3.
- Liaison with other Authorities performing well is undertaken. Improvements have been made in the time taken to determine planning applications; reduce the number of pending planning applications and enforcement cases and improve staff management in the Enforcement and Appeals team.
- The planning service overall is within budget. However, within planning enforcement, there are overspends within other running expenses of £34K and legal expenses. However, these have been offset by other areas.
- Income has increased in respect of planning applications of approximately 13%.
- Zero based budgeting has not been utilised.

3.39 With the reduction in resources and the commissioning out of services we are proposing to carry out reviews of VfM arrangements for the following audits– Youth Offending Team and SEN.

3.40 **Housing Benefit Update**

3.41 Members had previously been informed that the proposed move by the DWP towards a Single Fraud Integrated Service (SFIS) has now been completed effective from 1st July 2015. Migration of data was completed and apart from ongoing cases where a summons was issued before the transfer, we no longer investigate housing benefit fraud. As a consequence we now have only 2FTE's managed by RB Greenwich that investigate all other Bromley related fraud.

3.42 At the last cycle we had reported our intention to cease reporting on housing benefit statistics but given the volume of activity to conclude case we are submitting appendices C, D and E for the final time. Since the commencement of the partnership in April 2002, through to September 2015, the Council has successfully prosecuted 420 claimants to date for benefit fraud; issued 379 court summonses; given 104 formal cautions; and administered 430 penalties.

3.43 Housing Benefit Fraud Cases Referred to the DWP- in the spreadsheet of referred cases maintained by RB Greenwich there are 118 cases that were referred to the SFIS team of the DWP since the transfer. We have been informed that 29 cases are under criminal investigation, 6 cases where there has been no trace of a referral, 37 cases where no update is given, 1 case closed and the rest are marked as to be advised by their Referral Enhancement Routing Team.

3.44 **Anti-Fraud and Corruption Strategy**

3.45 Given the transfer of Housing Benefit fraud to the DWP, changes to the whistleblowing policy, some legislative changes, compliance with the CIPFA Code of Practice on managing the risk of fraud and corruption, the abolition of the Audit Commission and the fact that the strategy was last updated in 2010, it was necessary to revamp the current document with the objective of simplifying/streamlining the document. Members are asked to comment on and approve the new document attached as Appendix F.

3.46 On approval of the above strategy Internal Audit will update the fraud training toolkit with the latest version from the web providers.

3.47 **Other Matters-**

3.48 Code of Transparency; Local audit contract for local authorities; Objection to the accounts-update; Public Sector Internal Audit Standards; Code of Corporate Governance. All expanded on below.

3.49 **Code of Transparency-** the Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015. The Code sets out key principles for local authorities in creating greater transparency through the publication of public data. The Government believes that local people are interested in how their authority tackles fraud and have introduced a mandatory requirement in respect of fraud data. Attached as Appendix G is our publication on the web of the fraud statistics for 2014/15.

3.50 **Local audit contracts for local authorities**- the Local Audit and Accountability Act 2014 requires local authorities to appoint an audit panel that will advise the local authority on the selection and appointment of external auditors and maintaining an independent relationship with their local auditors. The DCLG has decided to extend the audit contracts for one year only. This means that from the financial year 2018/19 the appointment process under the Local Audit and Accountability Act 2014 will be operational. Under the legislation appointments must be in place before the start of the financial year to which they relate – so in practice the procurement must be completed by December 2017. Public Sector Audit Appointments Ltd who manage the current contract following the abolition of the Audit Commission are consulting on the 2016/17 audit fees. They are proposing that the audit fee and certification fees are set for the same level as 2015/16.

3.51 **Objections to the accounts-update-**Members should note that there are three objections to the accounts that are ongoing:

- Legality of our parking enforcement contract (mainly around the use of incentives and performance targets contained within the contract). This was lodged as part of the 2012/13 public inspection and audit.
- Bailiff enforcement that Bromley allowed unlawful fees and costs to be incurred in the execution of warrants for parking/traffic debt). This was lodged as part of the 2013/14 public inspection and audit.
- London Councils (we have incurred unlawful expenditure in the provision of the Parking on Private Land Appeals service). This was lodged as part of the 2013/14 public inspection and audit.
- As a result the accounts for 2012/13, 2013/14 and 2014/15 remain open and further objections may still be lodged until such time as they can be formally concluded.

3.52 Members should note that to date these objections have cost Bromley £40k in actual costs as invoiced by the External Auditor with an indication from them that the fee could be about £50k.

3.53 **Public Sector Internal Audit Standards**

3.54 The Public Sector Internal Audit Standards (PSIAS) came in to effect in April 2013. Many of the requirements of the previous standards are still relevant to the new standards. One of the requirements of the new standards is to have an Internal Audit Charter in place that should be approved by the Audit Committee that this Committee did in June 2013.

3.55 The standards also require an external assessment of the service every 5 years. Rather than employ a firm of accountants/auditors, the Society of London Treasurers felt that it would be more cost effective and useful if there was a London wide forum to undertake this task. Consequently we have joined a London wide external assessment group to undertake this assessment on a cyclical basis. We are provisionally due to be reviewed in early 2016.

3.56 **Code of Corporate Governance-** The International Framework: Good Governance in the Public Sector was published jointly by CIPFA (the Chartered Institute of Public Finance and Accountancy) and IFAC (the International Federation of Accountants) in July 2014.

3.57 Using their definition, governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. CIPFA and SOLACE (Society of Local Authority Chief Executives and Senior Managers) have since carried out a review of their own Framework: Delivering Good Governance in Local Government to ensure that it remains 'fit for purpose'. Following a consultation, CIPFA/ SOLACE aim to issue new guidelines which will apply for this financial year. Our current Code of Corporate Governance was agreed by full Council in September 2013 and we will review and update accordingly as part of the Annual Governance Statement process for 2015/16.

3.58 **Letter of Representation** -

3.59 The Letter of Representation is attached to this report for information. It sets out the key undertakings given by the Director of Finance to the External Auditors in relation to the 2014/15 Statement of Accounts, the information provided, accounting policies, fraud and non-compliance with laws and regulations, related party transactions, employee benefits, contractual arrangements/agreements, litigation and claims, taxation, using the work of experts, pension fund assets and liabilities, pension fund registered status, bank accounts, subsequent events, retirement benefits, provisions, assets and liabilities, disclosures and items specific to local government. Members are asked to note the Letter of Representation attached as Appendix H.

3.60 **Training –**

3.61 **Audit Controls- online interactive training** - we are in the process of developing an online interactive training package for officers to promote findings and resultant control weaknesses identified from Internal Audit reports. The training is aimed at managers and officers who have finance related functions and is expected to be about 30-40 minutes in duration including a question and answer session.

3.62 **Risk Management-**

3.63 Members of this Committee had previously been informed that Bromley were working with colleagues at Zurich Municipal who are also our insurers. The first phase of the review concerned Public Health the outcome of which was reported to the last cycle of this Committee. The issue of contingent liability levels resulting from the diagnostic activities of contractors (which are excluded from our Public Liability policy) is ongoing as our Insurance Team continues to clarify with Zurich where liability might arise and whether this would be covered under other existing policies.

3.64 The second phase reviewed risk reporting arrangements i.e. reporting new risks, significant risk changes, risk mitigation exceptions and reporting on corporate risks with implications across the various departments. Zurich has also proposed a revised risk matrix, and new impact and likelihood guidelines that have been accepted by the Corporate Risk Management Group (see Appendix I which includes the new reporting structure). The new risk matrix now utilises four levels of risk; high, significant, medium and low in contrast to high, medium and low previously. In using the new guidelines for impact and likelihood and plotting these on the revised risk matrix the number of high risks has dropped from 21 to 3 and the number in the new significant risk category has increased by 13 with a further 5 now in the medium risk category (see Appendix J). We have reported the outcome of this exercise to all the Departmental Management Teams and asked them to review the initial outcome of the revised risk ratings. Going forward we will monitor all the high and significant net risks and focus on the reporting and managing of risk exceptions.

3.65 Corporate risk- There remains work to be done on ensuring that the corporate risks are adequately reflected. Currently we use a 'top 10' template with generic headings e.g. Failure to achieve Building a Better Bromley objectives, linked to risks identified in the risk register This is

being reviewed by the Corporate Risk Management Group. Our main corporate risks are our capacity to achieve sufficient savings to close the funding gap and the success of the commissioning programme.

3.66 The final part of the exercise working with Zurich and Learning and Development is to produce a new e-learning online tutorial for risk management. The aim is to provide a 30 minute interactive package that officers can access and complete as a replacement to running risk management courses. The implementation of this training package is expected to be in early 2016.

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