

AUDIT CONTROLS 2016

The purpose of these slides:

- To increase the awareness of the need for controls in all processes in Bromley.
- Highlight areas where a lack of controls has led to losses to Bromley.

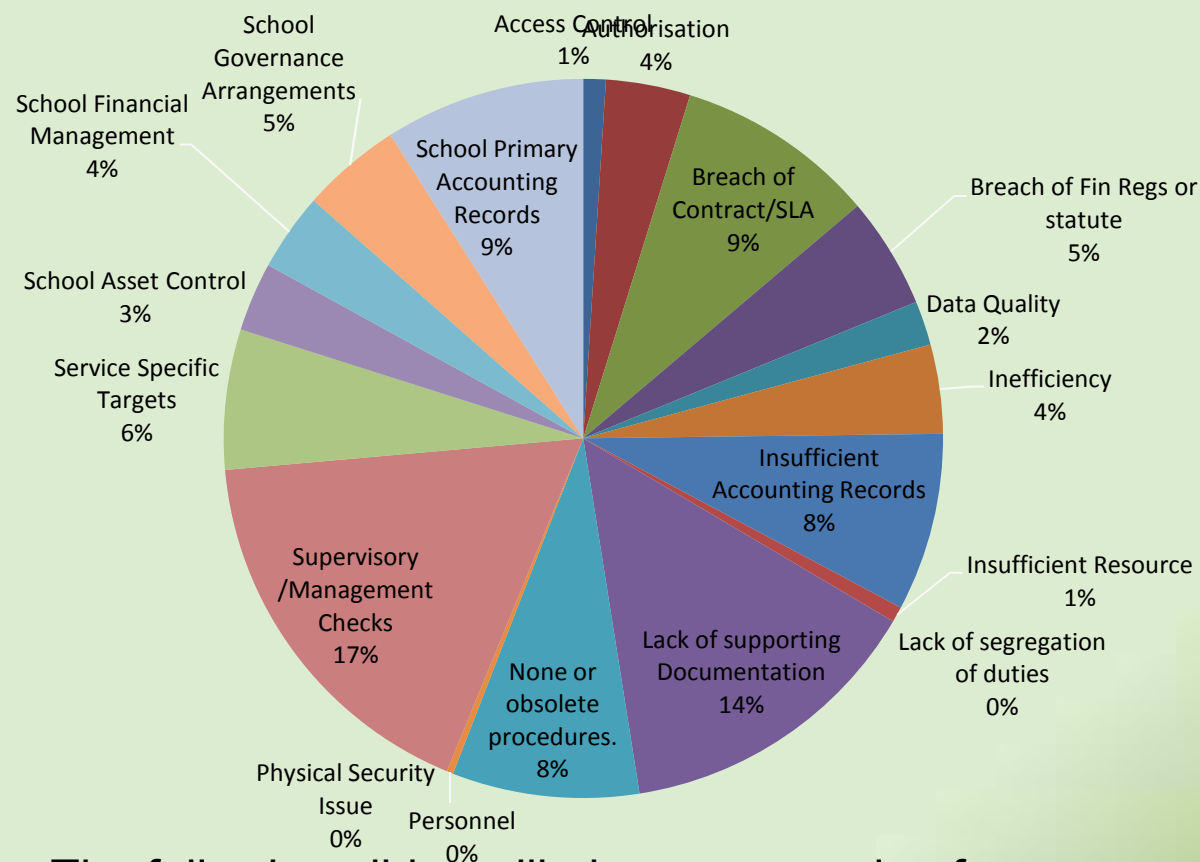
A definition of a control is:

“Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.” *PSIAS 2015*

Or simply

An internal control is a business practice, policy or procedure that is established within an organisation to create value or minimise risk.

2015/16 Summary of Recommendations By Type, based on control weaknesses identified in Internal Audits and Investigations.



The following slides will give an example of expected controls and instances of where these controls were found to be absent.

Segregation of Duties

Segregation of duties is the concept of having more than one person required to complete a task. The separation by sharing of one single task by more than one individual is an internal control intended to prevent fraud and error.

Lessons learnt

In 2013, Bromley Internal Audit identified that the Insurance Manager had due to a lack of segregation of duties and other control weaknesses been able to process and approve fraudulent payments to his relatives and a friend of £47,500 over three years.

For further information see Section 20 of the [Financial Procedures](#)

Procurement

As per Financial Regulations and Contract Procedure Rules there is a requirement for contracts to be put in place with suppliers for all regular spends. This will insure services/goods delivered are as expected.

Lessons learnt

An audit of the Behavioural Service in 2012, found that Bromley had spent £1.4 million with the company, Classroom Ltd but did not have a contract in place. Some services were paid for but were not delivered and performance monitoring of services delivered was not possible.

For further information see the Contract Procedure Rules

Contract Monitoring /Management

Contract monitoring should be objective and ensure compliance with service standards, contract terms, conditions and specifications.

In accordance with Contract Procedure Rules during the life of the contract, the Officer must monitor in respect of:

- Performance;
- Compliance with specification and contract;
- Cost;
- Any Value for Money requirements;
- User satisfaction;
- Risk management.

The key issues relating to contracts which have been identified from our audit reviews and investigations can be grouped into the following themes: Personnel Issues, Key Documentation and Contract Monitoring. Many of these issues have been brought to Audit's attention by members of the public and Officer's raising concerns.

For further information see section 8 of Financial Procedures Payment of Accounts

Contract Monitoring

Audit Reviews have repeatedly found the following issues with the overall management/monitoring of contracts:

- Ineffective contract monitoring including lack of and/or inaccurate information, including that supplied by contractors to support invoices submitted, not being able to run performance reports and relying on the contractor to do this.
 - Non-monitoring of KPIs
 - Officers managing a contract do not have access to a copy of it.
 - A lack of regular contract monitoring meetings.
- A lack of clarity in the recording of contract monitoring meetings and matters discussed.

Lessons Learnt:

- An Audit Investigation into a contract in Environment in 2015 found that underutilisation of a service being paid for, of 54% for 2013/14 and 64% for 2014/15 cost the Authority £58k in total.

For further information see Contract Monitoring Guidance Notes available on Onebromley and [Contract Procedure Rules](#)

Contract Monitoring- Key Documentation

Requirements in Financial Regulations and Legislation are that for most types of documents they should be retained for at least six years and that they should be held securely.

Audit Reviews have repeatedly found the following issues with contract documentation:

- A lack of administration and record keeping of key documentation, including tender evaluation documentation
- Completion and authorisation of contract award documentation not taking place
 - A lack of contract or signed agreement for measuring delivery of the service
- Wording within contracts is not specific enough to enable defaults to be enforced on the contractor for lack of performance or not meeting KPIs
- Waivers – timing of submission, completeness of information and authorisation by key officers. Consistency issues in the use of forms and completion of them.

Lessons learnt

A Management review in 2015 of a contract in Environmental services found that for contract key performance documents and records were not retained. It was calculated that £10,520 had been overpaid to the contractor based on inflated figures provided by the Contractor.

For further information see the Document retention appendix in Financial Procedures

Contract Monitoring- Personnel Issue

Audit Reviews have repeatedly found the following issues with personnel who procure as well as monitor and manage contracts:

- A lack of clarity of the roles and responsibilities of those officers involved, including the engagement of external specialists
- A lack of Training for those officers involved, including completion of on-line training of Contract Procurement Rules and Financial Regulations
- Declaration of interests not being completed for those involved in the contract award process, including external Specialists

Lessons Learnt

An investigation into Children and Family centres found that Bromley was paying £20,000 per annum for the storage of files in a facility owned by the Service Manager's father. Subsequently the facility also leaked, damaging items held inside and it was identified the costs paid were excessive for the service provided.

For further information see Declaration of Interest guidance and Financial Regulations Interactive Training

Asset Register

An asset register should be accurate, comprehensive and up to date, recording all assets which are attractive and portable. A log should be kept of who assets are loaned to when taken off site.

Lesson learnt

In September 2012 Internal Audit were notified of equipment that had gone missing from the former Design Studio. It was found that former staff had left and taken Bromley equipment. A record of assets held by the department or borrowed or loaned items was not kept. A rough approximation of £9000 of equipment went missing.

For further information see Financial Procedures section 17

Cash Handling

Section 9 of the Financial Procedures states in detail the requirements for making expenditure via Petty Cash. Broadly this is that all transactions should be supported by a valid receipt and voucher and all transactions appropriately signed for. Payments should be for under £250 and properly account for VAT if applicable.

Additional controls exist for those staff who maintain the account, to ensure cash is securely held, reconciled and not incorrectly used.

Lessons Learnt

An audit in Children's Social Care in September 2014, petty cash vouchers for expenditure were lost, vouchers not being signed to show clients have received money, workers holding on to cash, no controls over who can access the safe or accountability of what is held in the safe.

For further information see Financial Procedures sections 9

Recruitment and Management of Staff

Although it is a requirement for HR to request references, qualifications and identification for potential new members of staff, Managers still have a responsibility to check the identity of staff when they first arrive. Furthermore Managers should not accept new staff in post until references have been received and verified.

Lessons Learnt

A former Care Worker was recently sentenced to 15 months imprisonment for claiming to be a French citizen and thus gaining a right to work in the UK. She worked for Bromley, Adults Social Care for over 10 years under this assumed name, as well as fraudulently claiming Housing Benefits.

For further information see Adecco guidance and Manager's Toolkit, Recruitment Guidance

Reconciliations

Financial Regulations require all subsidiary accounts to the authority's main account, should be reconciled at least on a monthly basis. Reconciliations will help identify any errors, failed payments or transactions that have not cleared.

Lessons Learnt

During an audit in Housing in 2014 it was found that an estimated £632k of rent due from a contractor had not been received and the rent which had been paid over, had not been reconciled for over 6 months. Controls should have been to reconcile rent received against amounts expected to have been received according to the terms of the contract to identify any discrepancies and none payment of rent.

For further information see section 13 of the Financial Procedures

IT Controls

Financial Regulations and numerous other policies and procedures govern how staff should use IT systems and procedures they should follow to ensure asset and data are held securely. Although the ICT contract in place prevents staff from mistreating/using most equipment, it cannot stop all instances and thus staff must follow these procedures to safeguard themselves.

Lessons learnt

A senior member of staff was dismissed in August 2014, following a joint HR and Audit investigation into internet misuse and personal conduct. Controls were not in place on the member of staff's computer system and he was able to download over 1200 pictures, songs and media clips. He was also able to download and view inappropriate material.

For further information see the Internet Code of conduct and section 22 of Financial Procedures

Other lessons learnt

- Payments have been made without checking backing documentation to substantiate the payment made to a contractor for services received in ECHS and payment for mobile working keyfobs, where nearly twice the amount were paid for as held by the authority.
- Between 01/01/14 to 31/01/15, 8981 retrospective purchase orders were raised across the authority.
- In December 2013 it was found that the approval rates of budgets on FBM across the authority was only 49% within the prescribed time.
- In a Purchase card audit in 2014 it was found receipts were not being obtained for 32% of transactions sampled and VAT was not being claimed for $\frac{3}{4}$ of transactions.

Who are Internal Audit and what do we do ?

We carry out audits as agreed in the annual plan approved by the 151 Officer and Audit Committee

Internal Audit review and report on the effectiveness of controls in place within the authority and make recommendations based on any weaknesses in controls.

Major weaknesses are reported to Audit Sub-Committee with Managers requested to attend, to explain any failings and actions that will be taken to improve the controls in place.

Other work undertaken by Internal Audit includes:

- Provide advice and information on risks and controls
- Responsible for Financial Regulations
- Investigate potential irregularities
- Respond to raising awareness and whistleblowing referrals
- Facilitate Data matching exercises

Finally ...

Thank you for reading. Copies of Audit Reports are published on www.Bromley.gov.uk

Remember we are here to help you and give advice on financial controls

If you have any concerns raised by reading this, contact:

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Corporate Anti-Fraud working in Partnership with the Royal Borough of Greenwich

Download the App 'Bromley Fraud Reporter' on Apple and Android mobile devices from; Google Play and the App Store

