

## **AUDIT SUB-COMMITTEE**

Minutes of the meeting held at 7.00 pm on 21 June 2017

### **Present:**

Councillor Neil Reddin FCCA (Chairman)  
Councillor William Huntington-Thresher (Vice-Chairman)  
Councillors Ian Dunn, Peter Fortune and Tony Owen

### **Also Present:**

Luis Remedios, Head of Audit (until 22/6/17)  
David Hogan, Head of Audit (replacing Mr Remedios)  
John Bosley, Dan Jones, Charles Obazuaye and Garry Warner, Head of Highway Network Management  
Deepali Choudhary, Principal Auditor  
Linda Pilkington, Principal Auditor

### **1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

Apologies for absence were received from Councillor Collins.

The Chairman welcomed Mr David Hogan, the new Head of Audit, to the meeting.

### **2 DECLARATIONS OF INTEREST**

Councillor Peter Fortune declared that his wife was a teacher at an academy trust in Bromley.

Councillor Tony Owen declared that his daughter was a teacher at an academy trust in Bromley.

Councillor Neil Reddin declared that his children attended academies in the Borough and that his wife was a member of two school governing bodies.

### **3 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 4TH APRIL 2017**

The minutes of the meeting held on 4<sup>th</sup> April 2017 were agreed as a correct record.

### **4 QUESTIONS FROM COUNCILLORS AND MEMBERS OF THE PUBLIC**

No questions were received.

**5 MATTERS OUTSTANDING (NOT INCLUDING EXEMPT INFORMATION) FROM THE MEETING HELD ON 4TH APRIL 2017**

**Report CSD17085**

Members considered the Part 1 (Public) Matters Arising report. In relation to Minute 33 (Annual Internal Audit Plan 2017-2018), Mr Hogan confirmed that he was currently undertaking a review of the adequacy of resources within the Audit Team and further information would be available at the end of July 2017.

Concerning Minute 34 (Internal Audit Progress Report), the Chairman confirmed that the recent General Election had delayed progress on the letter to MPs. The letter would now be drafted and sent to Bromley MPs and the relevant Minister within the next week.

It was agreed that the matters outstanding from Minute 37/1 (Register of Staff Interests) were no longer considered to be exempt. The update from the Director of Human Resources would now be considered in Part 1 of the meeting.

The Director of HR provided an update to the Sub-Committee on the progress of returns for the Register of Staff Business Interests. A document providing a breakdown by department of non-completion was tabled. The Director of HR reported that the return rate was more encouraging than it had previously been. There were now only 40 forms outstanding from across the Council and staff within HR had been “chasing, encouraging and cajoling” in order to increase the return rate. The return rate was considered to be good but the target was 100%. The Sub-Committee were informed that not every member of staff was required to complete a declaration of business interest form. Every Senior Officer was required to complete a declaration and the requirement for other staff was dependent on their role and responsibilities.

In response to a question from the Chairman the Director of HR confirmed that there was no specific sanction for non-compliance. However, disciplinary action could be taken against a member of staff if the disciplinary issues were in anyway linked to the non-disclosure. HR impressed upon staff that completion of the Register of Business Interests was for their own protection. The Director of HR confirmed that the majority of staff interests would not be in conflict with the organisation.

The Sub-Committee noted that one particular area where more vigilance was required was that of agency staff, contractors and staff not directly employed by the Council. These groups of staff were not as easy for HR to monitor as they were not direct employees. The Head of Audit confirmed that there were concerns around the robustness of references sought by agencies in relation to agency staff. The Director of HR reported that the Council’s current

contractor had been tightening up their procedures in recent years. As a result of the pressure to bring staff into the Council it was often necessary to undertake a risk assessment and make a judgement about the need to wait for references and further enhanced DBS checks.

## **6 QUESTIONS ON THE AUDIT REPORTS PUBLISHED ON THE WEB**

No questions had been received concerning the internal audit reports that had been published on the web.

## **7 ANNUAL AUDIT REPORT**

### **Report FSD 17049**

The Annual Audit report was presented by the Head of Audit who reported that this year the Director of Corporate Services had contributed to the Annual Governance Statement. One of the main areas for concern this year was contract monitoring issues.

The report was primarily for Member information and was intended to assist the Council in meeting the financial management and internal control requirements of the Accounts and Audit Regulations 2015. Part of the overall arrangements required the Chief Executive and the Leader to sign an Annual Governance Statement.

Included in the report were highlights of the performance of the Internal Audit function, a summary of the audits undertaken and an opinion on the overall adequacy and effectiveness of the organisation's internal control environment.

Members noted that schools that were audited were included within the report.

The Committee was reminded that Internal Audit's main objective was to assist management and Members in minimising risks, maintaining high standards and continuously improving service delivery through independent appraisal, review and advice. The report outlined the methodology employed to achieve these objectives.

The audit reviews looked at the controls in place and assessed how effective these were, together with associated risks. The Committee were informed that whilst it was Internal Audit's aim to complete the 2016/17 plan, this had been adjusted as a result of unexpected levels of unplanned activity including fraud and investigative work. To redress some of the shortfall, internal audit had bought in to the internal audit service of Mazars through the Framework Agreement operated by LB Croydon. Mazars undertook six audits from the audit plan--totalling 67 days

Internal Audit completed the majority of high risk audit reviews scheduled in 2016/17 and received positive feedback from the client departments with an

overall average of over 4 out of 5 for the audit satisfaction surveys. Overall, after allowing for a number of audits that were either postponed or cancelled due to management requests/organisational change, ad hoc investigations and sickness, Internal Audit had completed about 80% of the Plan against the annual performance indicator requirement of 90%. There were seven audits where work was still in progress.

The Committee was advised that during 2015/2016, 862 audit days had been undertaken, and this included fraud and investigative work as well as mainstream audit work.

All internal work resulted in a formal report to management. Final reports were agreed with clients prior to being released and were followed up systematically in the following financial year; unless there were priority one recommendations which would be followed up within six months. All audit reports (apart from follow ups and investigations) included an opinion from internal audit based on their findings.

The report explained the four different assurance levels that were provided post audit, these were:

- Full Assurance
- Substantial Assurance
- Limited Assurance
- No Assurance

The Committee was notified that audits had been undertaken on 8 schools that were still maintained by Bromley, and that these audits had resulted in 41 recommendations.

For clarity, it was noted that there were follow up reviews for 6 schools that had been audited in 2015/16; of the 22 recommendations raised, 21 were fully implemented and 1 partially implemented and therefore re-recommended.

The main internal audit issues in 2016/17 related to contract management and monitoring, and it had been decided that a major focus of the 2017/18 plan would be to audit contract monitoring controls.

With reference to the Annual Governance Statement, the Head of Audit confirmed that adequate action plans had been agreed for all areas of identified weaknesses and Internal Audit would continue to apply close scrutiny to ensure that all current priority control weaknesses were addressed by management.

The Risk Management process had been reviewed as a result of the Ofsted report into LBB Children's Services in 2016. The various procedures put in place as a result were explained to the Committee.

Following a request from the Executive and Resources PDS Committee Zurich had been commissioned to carry out a check and challenge process on the risk registers for the three Directorates.

The control issues that had been highlighted in the audit reports were divided into the following categories:

- Organisational – the controls that provide the framework under which the system of other controls can operate effectively and efficiently.
- Financial – the system of controls that ensures the accuracy and adequacy of financial data and safeguards the organisation against possible loss due to fraud or error.
- Operational – the system of controls that ensures the efficiency and effectiveness of operations, ensures the organisation’s objectives are met (and services delivered) and also safeguards the organisation against any reputational damage or other loss.
- Compliance controls – the system of controls that ensures that the organisation complies with all relevant legislation, best practice guidance and internal policies with respect to the conduct of the business.

The Portfolio Holder for Education Children and Families requested that in future a further breakdown of the number of audit days for schools be broken down to enable an analysis of the implications of the acadamisisation agenda.

With reference to the Annual Governance Statement, a Member suggested that within the Statement it should be reflected that one of the Policy Development and Scrutiny (PDS) Committees had become a Select Committee. With reference to the Inspection of the Bromley Youth Offending Service by HM Inspectorate of Probation, the Portfolio Holder for Education Children and Families confirmed that the report was no longer subject to Purdah.

**RESOLVED that the Annual Governance Statement be noted and approved.**

## **8 INTERNAL AUDIT PROGRESS REPORT**

### **Report FSD17051**

The Head of Audit presented the Internal Audit Progress Report which was intended to inform Members of recent audit activity across the Council and to provide updates on matters arising from the previous Audit Sub-Committee meetings.

The Sub-Committee noted the latest list of outstanding priority one recommendations attached at Appendix A of the report. A Member suggested that in the interests of transparency, in future, all the reports with Priority 1 recommendations should be named in part 1 of the agenda.

In relation to the Priority 1 recommendation concerning St Paul's Cray CE Primary School, the Head of Audit reported that a number of other issues had been picked up during the audit process which were being addressed. The Sub-Committee was advised that the recommendation pertaining to cash handling at St Paul's Cray CE Primary School remained open.

The Sub-Committee were informed that a school had received an overpayment of relief on NNDR (National Non Domestic Rates) of £103,499 as the date on which it converted to an Academy had been miscalculated. This money had now been reimbursed to the Council.

Members were updated concerning the liability of businesses to pay the Community Infrastructure Levy (CIL). There had been two priority one recommendations made in the original audit relating to the identification of CIL liable cases and the need for spot checks. It had been estimated in the previous audit that 48 cases had been identified where CIL liability had not been recorded. The Committee was briefed that the number of original assessments for liability subsequently fell to 41 and 3 of these had made payments totalling £8,126. Another 14 cases had CIL liability orders issued, totalling £79,655.

There had been a priority 1 recommendation for management to run a report from UNIFORM to identify planning applications made since 1 April 2015 where CIL liability had not been assessed and recorded. This recommendation was now regarded as implemented.

There had been a second priority 1 recommendation regarding CIL spot check visits, and this was also regarded as implemented.

Members were provided with an update following the previous audit on the Learning Disabilities Service where there had been three priority one recommendations relating to Assessments, Care and Support Plans and Service Agreements. It was noted that the recommendation relating to Assessments remained outstanding. The recommendations concerning care and support plans and service level agreements would be looked at in a future audit.

Concerning document retention and storage, Members were reminded that previously there had been two priority one recommendations relating to contract monitoring, invoice checking, cumulative expenditure and also the requirement to undertake a comprehensive review of documents in storage. The former recommendation was considered to be implemented, whilst the latter recommendation was still open. A Member stressed the need to ensure that the costs for retrieval and return were not a disincentive to review documents that were held in storage. It was recognised that there would need to be a review of all the information held in storage in light of the new Data Protection legislation.

Members were updated concerning the audit of corporate waivers. It was still the aim to set up a fully audited corporate waiver register, possibly in an

electronic form that would enhance the audit trail, and audit controls. This matter was ongoing and would be reported back to the Committee at the November meeting.

There had been some slippage in meeting the targets of the 2016/2017 audit plan for a variety of reasons, and the Committee were informed of additional work that internal audit had undertaken outside of the audit plan.

Members were notified that 10 further internal audit reports had just been published, and this meant that 176 had been published to date.

Members approved the nomination of Deepali Choudhary, (Principal Auditor) as Auditor of the Year. This was for an outstanding piece of work in carrying out an audit of the Waste Contract, which was the biggest contract held by the Council.

The Head of Audit updated Members concerning the number of cases of suspected housing benefit fraud that had been referred by Bromley to the SFIS (Single Fraud Investigation Service). Members were still concerned at the lack of prosecutions undertaken by the SFIS, and had previously resolved to write to the DWP, expressing LBB's concerns over this. This letter had not yet been written due to the snap general election, and new ministerial appointments that may be made. However, it was still the intention of the Sub-Committee that the letter be drafted. The Chairman suggested that the concerns of the Sub-Committee surrounding delays in bringing prosecutions should also be included in the letter sent to the DWP.

The Sub-Committee were briefed that LBB were still successfully prosecuting for council tax support fraud.

In relation to training, the Head of Audit reported that there had been some problems with the link on the Bromley Learning Hub. Once the problems had been remedied the training would be relaunched and advertised amongst staff.

**RESOLVED: That**

- 1. The progress report and matters arising be noted;**
- 2. The Internal Audit report be noted;**
- 3. The list of Internal Audit Reports publicised on the web be noted;**
- 4. The nomination of Deepali Choudhary as Auditor of the Year be approved;**
- 5. The latest cases referred to the DWP be noted;**

**6. The letter to the minister for the DWP to express LBB's concerns at the lack of prosecution for housing benefit fraud should still be drafted; and**

**7. The update on risks, together with actions taken to improve the risk register be noted.**

**9 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000**

**RESOLVED that the press and public be excluded during consideration of the items of business listed below as it was likely in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present, there would be disclosure to them of exempt information.**

**10 EXEMPT MINUTES OF THE MEETING HELD ON 4th APRIL 2017**

The exempt minutes of the meeting held on 4<sup>th</sup> April 2017 were agreed as a correct record.

**11 MATTERS ARISING FROM THE PREVIOUS MEETING-EXEMPT INFORMATION**

**Report CSD17086**

The Matters Arising report (Exempt Information) was noted.

**12 ANNUAL FRAUD & INVESTIGATION REPORT**

**Report FSD17050**

The report was presented by the Head of Audit and summarised all fraud and investigations undertaken for 2016/17.

The report provided a summary of all the allegations of fraud that had been received, investigations of matters not fraud related but breach of financial regulations/procedures, results of the fraud partnership with the Royal Borough of Greenwich and findings from the National Fraud Initiative (NFI) data match exercise. The report also referred to other matters such as major investigations, individual cases of interest, summary of the fraud register, proactive exercises and LBB's self- assessment of counter fraud measures arrangements against CIPFA's (Chartered Institute of Public Finance and Accountancy) Counter Fraud Code of Practice.

**13 FRAUD & INVESTIGATION**

**Report FSD17052**

The Committee considered a report informing Members of recent Internal Audit activity on fraud and investigations across the Council and providing an update on matters arising from previous meetings of the Audit Sub-Committee.

The Chairman reported that this was the last meeting that the current Head of Audit, Mr Luis Remedios, would attend. The Chairman thanked Mr Remedios for the support he had provided to Bromley and the Audit Sub-Committee. The Sub-Committee wished Mr Remedios well for the future. In response, Mr Remedios thanked the Sub-Committee for the challenge it had provided over the years and the work that had been done to increase the profile of Internal Audit

The Meeting ended at 9.05 pm

Chairman

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