

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 8 November 2017**

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

Title: **INTERNAL AUDIT PROGRESS REPORT**

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Chief Officer: Director of Finance

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 Risk Management
- 3.5 Internal Audit Progress
- 3.8 Internal Audit Resources

- 3.12 Audit Activity (Key Findings)
- 3.25 Audit Activity (Priority One Recommendations)

- 3.34 Waivers
- 3.35 Publication of Internal Audit Reports

- 3.36 Appointment of External Auditors
- 3.37 Letter of Representation
- 3.38 Code of Transparency
- 3.39 Annual Audit Letter
- 3.40 Objection to the Accounts
- 3.41 Minutes (extract) of the General Purposes and Licencing Sub-Committee 12-9-17

2. RECOMMENDATION(S)

- a) Note:-**
 - i. the results of the Zurich Risk management exercise**
 - ii. the actions taken to improve the Risk Management process**
 - iii. the Departmental Risk Registers**
- b) Approve the revised Corporate Risk Register**
- c) Note the Progress report and comment upon matters arising.**
- d) Note the list of Internal Audit Reports publicised on the Council's website.**
- e) Note the list of waivers sought since March 2017.**
- f) Note the appointment of Ernst and Young as local auditor.**
- g) Note the Letter of Representation.**
- h) Note the Code of Transparency - reporting of fraud.**
- i) Note the Minutes (extract) of the General Purposes and Licencing Sub-Committee 12-9-17**

Impact on Vulnerable Adults and Children

1. Summary of Impact: Some of the audit findings could have an impact on Adults and Children's Services
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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: ££469K including £164K fraud partnership costs
 5. Source of funding: General fund, Admin penalties, Legal cost recoveries
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Personnel

1. Number of staff (current and additional): 5.5 FTE
 2. If from existing staff resources, number of staff hours: 2017/18 - 800 audit days are proposed to be spent on the audit plan, fraud and investigations – excludes RB Greenwich investigators time.
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Legal

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

Procurement

1. Summary of Procurement Implications: Some audit recommendations will have procurement implications
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 100 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 Risk Management

- 3.2 The Annual Audit report presented at the June meeting provided a summary of risk management arrangements for 2016/17. Members were informed that we had commissioned Zurich our insurers to carry out a check and challenge process on the current risk registers to be undertaken for each of the three directorates (Education, Care & Health Services (ECHS), Environment & Community Services (ECS) and Chief Executive Directorates). The aim of this process was to provide the Directorate Management Teams (DMTs) with an independent discussion on risk and one that challenged, refreshed and validated the current risk register content. The outputs from the exercise are updated risk registers that will be taken forward by the DMTs and will be reported to the respective PDS Committees on a regular basis.
- 3.3 Zurich's findings and recommendations have been discussed at the Corporate Risk Management Group and Zurich have attended all the DMT's to discuss their findings and provide a challenge where necessary. Finally the findings have been discussed at Corporate Leadership Team, where it was agreed to undertake the same challenge and scoring process for corporate risks.
- 3.4 Adam Lickorish and Rupert Ryall from Zurich will be attending the Audit Committee to present their findings and to introduce the new Risk Registers. A summary of their findings and Risk Registers appear elsewhere on the Agenda.

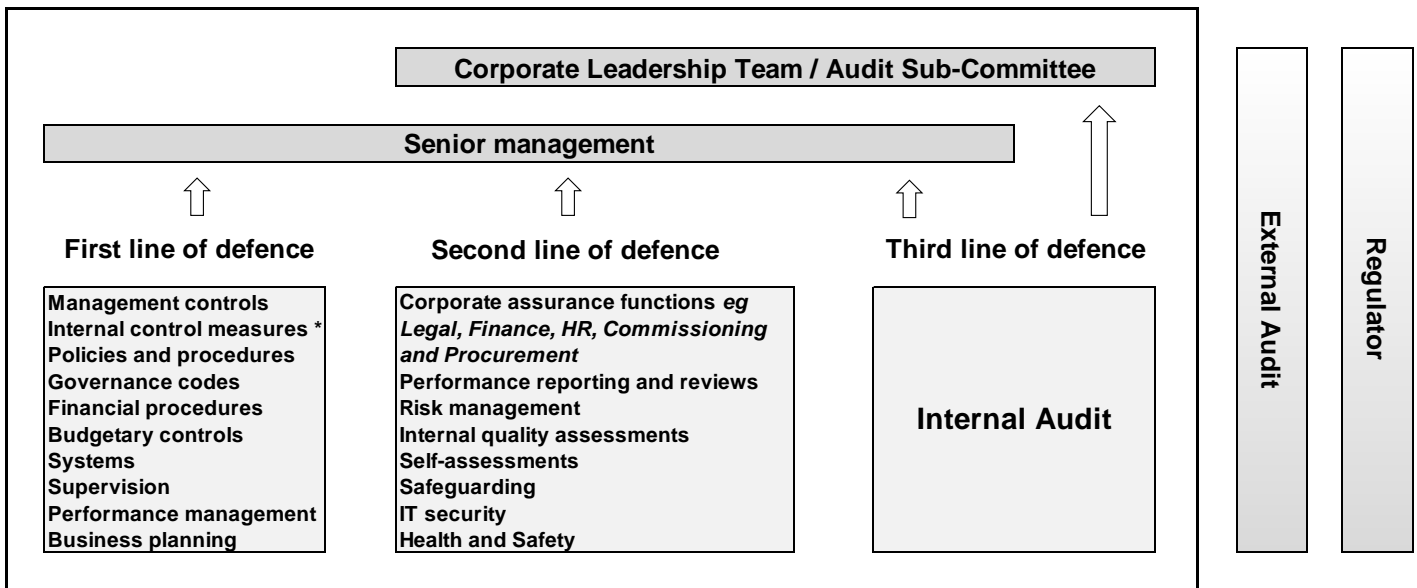
3.5 Internal Audit Progress

- 3.6 The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) or guidance. Internal audit is a key component of corporate governance within the Council. The three lines of defence model, as detailed below, provides a simple framework for understanding the role of internal audit in the overall risk management and internal control processes of an organisation:

- First line – operational management controls
- Second line – monitoring controls
- Third line – independent assurance (Internal Audit forms the Council's third line of defence)

This is demonstrated in the diagram overleaf:

The 3 lines of defence model - assurance mapping



* These include segregation of duties, organisation controls, authorisation and approval, physical controls, management controls, arithmetical and accounting controls, personnel controls and supervision.

3.7 An independent internal audit function will, through its risk-based approach to work, provide assurance to the Council's Audit-Sub Committee and senior management on the riskier and more complex areas of the Council's business. The work of internal audit is critical to the evaluation of the Council's overall assessment of its governance, risk management and internal control systems, and forms the basis of the annual opinion provided by the Head of Audit which contributes to the Annual Governance Statement. It can also perform a consultancy role to assist in identifying improvements to the organisation's practices. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit should be insightful, proactive, and future-focused. It should promote organisational improvement.

3.8 Internal Audit Resources

3.9 At the meeting of the Committee in April 2017 the question was asked if Internal Audit resources were sufficient. It was minuted that Internal Audit resources would be reviewed to ensure that Internal Audit would not be under resourced going forward. Public Sector Internal Audit Standards require that the Chief Audit Executive (Head of Audit) "establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals". They go on to state that the Chief Audit Executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan. Where the Chief Audit Executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board (Audit Sub-Committee).

3.10 The findings from the review highlighted that between 2012 and 2017 Internal Audit Staffing has been reduced from 12 to 5.5 f.t.e. Internal Audit resources at LB Bromley are low in comparison to its statistical Nearest Neighbour group. In order to improve this position it has been agreed to recruit a Trainee Auditor to strengthen the Internal Audit structure to ensure minimum audit

requirements of the Internal Audit plan are met. This assumes that any costs from special investigation work will need to be funded separately from other Council resources. The aim is to recruit for a start date in April 2018. This would be in time for the first Chartered IIA Apprentice scheme cohorts and allows for training to utilise Apprentice funding. Funding of salary costs for the post will be considered during the budget process. The Staffing levels will be reviewed 12 months after the implementation of this change.

- 3.11 In his Annual Report of June 2017, the previous Head of Audit advised the Committee that 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, the section had completed about 80% of the plan against the annual performance indicator requirement of 90%. There remained 7 audits where work was in progress. In view of the work carried forward into the current year and the impact of days lost to sickness and vacancy, action was required to risk-assess current plans, bring in some additional resources from Mazars and re-scope and prioritise items within the plan. Further detail is provided in the Part 2 agenda. Due to prior year slippage some items would be inappropriate to perform in the current year as that would mean that they would be carried out twice, with the Assurance opinion not justifying that.

3.12 Audit Activity

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

As summary of key findings from Audits completed to date follows:-

3.13 Payroll expenses

Objective

The overall objective of the audit was to provide assurance that the Council has effective controls in place over starters, payments, deductions and variations to pay and employment status, following the HMRC audit.

Audit opinion – Substantial

Controls were in place and working well for the procedures for new starters, recording of annual and sick leave, the calculation of tax, NI and pension contributions, reconciliations of payments, calculation and authorisation of amendments to pay and monitoring of the payroll contract.

We have made four Priority 2 recommendations and two Priority 3 recommendations where management action will further improve controls. These relate to the recording of recovery action on overpayments and debts not written off where recoverable and staff not recording the hours worked when claiming for additional hours or overtime. The other recommendations relate to publishing equalities information on the Council's website, retention of documentation relating to deductions to pay and leavers not being removed from the IT systems or returning equipment.

3.14 Pensions

Objective

The overall objective of the audit was to provide assurance that the Council has effective controls in place over reconciliations of the pension fund, payments made, calculation of deductions, re-enrolment and the procedures for annual and lifetime allowances.

Audit opinion – Substantial

Controls were in place and working well in the areas of availability of funds for the scheme, actuarial valuations monitoring of scheme assets, calculations of payments and deductions and management of outsourced ICT activities.

We have made two Priority 2 recommendations and one Priority 3 recommendation where management action will further improve controls. These relate to the timeliness of pension fund transfers, refunds being made by cheque and evidencing the monthly amounts paid over by commissioned out employers.

3.15 Bromley Children Project

Objective

The overall objective of the audit was to provide assurance that the Council has effective arrangements in place for assessing and monitoring the activities and services offered by the Bromley Children Project, including expenditure controls and the users' needs.

Audit opinion – Substantial

Controls were in place and working well in the areas of activities and services aligning with the core principles in the Sure Start Children's Centres' statutory guidance 2013, publicising services and activities, monitoring and engaging with Bromley Children Project users, budget monitoring and certifying expenditure.

We have made three Priority 2 recommendations where management action will further improve controls. These include recording full details of assets held at the Children Centres on the asset register, following up users' non-attendance on courses and activities and using costing information at year end to inform the decision making process when planning future courses and activities.

3.16 Children With Disabilities – Follow Up

Objective

The follow up review considered the final audit report issued on 18/6/15 and identified progress made on implementing the recommendations.

Outcome

Of the 4 previously agreed recommendations, 2 have been fully implemented in respect of the annual reviews and procedure documentation; 2 recommendations relating to the Resource Request Form (RRF) and the Initial Assessment were partially implemented.

The follow up testing identified that for 1/5 cases tested the initial assessment was listed as an adult rather than a child and for the same case the RRF had expired. Management accepted the findings and confirmed that all decisions should be evidenced and that the Review Panel will consider all RRF agreements. Management commented that the administration to ensure cases are returned to panel will be reviewed and improved.

A new recommendation was raised in respect of the direct payment made to the case identified above and possible overpayment. Management confirmed that changes in service offset any overpayment and therefore no recovery was due. However all staff to be reminded of the Direct Payments procedure.

3.17 Debtors

Objective

The overall objective of the audit was to provide assurance that the Council has effective controls in place over reconciliation of the debtor account, debt recovery and long term arrears, credit notes, cases in dispute and write offs.

Audit opinion – Substantial

Controls were in place and working well in the areas of reconciliation of the debtors system to the general ledger, up-to-date policies and procedures, coding of income and the production and monitoring of aged debtor reports on a monthly basis.

There are five Priority 2 recommendations which we have made to further improve controls. These relate to changes in dispute codes, ensuring that debtor invoices are raised accurately, evidencing action taken to recover debts, following up and writing off debts timely and scanning all supporting documentation relating to debts onto the accounting system.

3.18 Early Years

Objective

System review of Early Years grant payments for free education to 2 year old and 3 to 4 year olds, including policies and procedures, registration of providers, eligibility criteria, monitoring of child attendance, payments made to providers and budget monitoring.

Audit opinion – Substantial

Controls were in place and working well in the areas of registration with Ofsted; all providers tested had signed the Free Early Education (FEE) agreement; sufficient eligibility, in line with HMRC guidelines had taken place for the two year old children at public, voluntary and independent sector settings receiving funding that were tested; payments to schools, pre-schools, nurseries and childminders were made on time and there was sufficient segregation of duties for the approval and processing; all payment batches examined had been authorised by the Head of Service and budget monitoring reports examined had been reviewed and signed by the budget holder on a monthly basis.

Two priority 2 recommendations were raised with regard to data matching for the information received from schools and providers and that the submission of attendance registers for checking by the Early Years be kept under review.

Six priority 3 recommendations were raised relating to; checking the voucher code on the online checker; ensure that provider's source supporting documentation before claiming; inclusion of a fraud disclaimer on the agreement; review the decision not to review all parent declarations and children's ID; evidence the checklist and date the review and update of procedures.

3.19 Internet usage

Objective

The overall objective of the audit was to provide assurance that policies covering internet usage are sufficiently detailed, extensive and up to date and controls are in place to prevent staff access to inappropriate internet sites and to prevent inappropriate use of the email system.

Audit opinion – Substantial

Controls were in place and working well in the areas of policies for internet usage being sufficiently detailed, extensive, up to date and available to staff. Information provided showed a summary of staff internet usage and the sites accessed.

We have made three Priority 2 recommendations where management action will further improve controls. These relate to staff not undertaking information assurance training, the lack of technical controls that can be put in place to prevent Blackberry users accessing inappropriate sites and updating the Code of Conduct to refer to the protocol for the monitoring of staff emails.

3.20 Marjorie McClure School – Follow up Report

Objective

The follow up review considered the final audit report issued on 19/01/16 and identified progress made on implementing the recommendations.

Outcome

Of the 6 previously agreed recommendations relating to the IT asset register, governor approval of the scheme of delegation, declaration of interest for Governors, processing invoices, purchase card reconciliation and extending the contract register had been satisfactorily implemented.

The follow up testing identified 1/5 payments checked that was not supported by a purchase order prior to the invoice date. The school accepted the recommendation and all staff were reminded by e-mail to comply with Financial Procedures.

3.21 Poverest Primary School – Follow up Report

Objective

The follow up review considered the final audit report issued on 12/02/16 and identified progress made on implementing the recommendations.

Outcome

Of the 3 previously agreed recommendations relating to the asset register, cumulative spend and evidencing a copy of the catering contract, all were satisfactorily implemented.

Follow up testing identified two new recommendations relating to an adequate audit trail to support financial decisions and completion and retention of the HMRC on line questionnaire to support payment to individuals as self employed workers. The school accepted both recommendations.

3.22 Community Infrastructure Levy – Follow up Report

Objective

The overall objective of the review was to review the progress made implementing the nine recommendations made in the original audit carried out in November 2016.

Outcome

We found that five recommendations had been implemented, including the two Priority 1 recommendations in our original report, three recommendations had been partly implemented and one had not been implemented. One of the partly implemented recommendations relating to outstanding income due from CIL applications has been raised to a Priority 1.

There are four new recommendations which have arisen from our testing. Two of these relate to clarification to the Land Charges Team that final notification of self-build relief has been received and ensuring that Liberata notify the full details of the debtors, case references and amounts to the CIL team and the Land Charges Team when income has been received.

We saw the draft Surcharges Policy and Liberata's Mayoral CIL Procedural Guidance which they follow. This Guidance does not however include the process to be followed for late payment interest and needs to be updated to include this, once the Surcharges Policy has been finalised by the CIL team.

We have also recommended that separation of duties and authorisation controls are put in place by management for CIL processes being carried out a new member of staff.

3.23 Contract Monitoring Audit

Objective

The overall objective of the audit was to provide assurance that the Council has effective arrangements in place to account for the location of contracts, ensuring they are signed and sealed by all parties and recording and retaining key supporting documentation such as Performance Bonds and Public Liability Insurance.

Audit opinion – Limited

Controls were in place and working well in the areas of locating contracts and ensuring they were signed and sealed.

We have made two Priority 1 recommendations and two Priority 2 recommendations where management action will improve controls. These relate to ensuring that key supporting documentation is retained with contracts and checking on an annual basis that sufficient Public Liability Insurance is in place for contracts held. We have also recommended chasing up on a formal basis any contracts borrowed from the strong room and ensuring that all licensing and maintenance agreements are included on the Contracts Database.

3.24 For definitions of audit opinions see below:

- Full Assurance- There is a sound system of control designed to achieve all the objectives tested.
- Substantial Assurance- While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.
- Limited Assurance- Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are Priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

- Nil Assurance- Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

3.25 Commentary on Priority 1 recommendations

3.26 Document Storage and Retention

The Senior Property Manager advised that 'after a review of records held in storage approximately 900 boxes have been identified for destruction. TNT has been instructed to destroy these files and the destruction process is underway.

New box deposits continue to be made as space previously taken up by filing is required for additional staff and as staff begin to prepare for the Civic Centre redevelopment.

This upward trend in deposits is likely to continue until staff are equipped to work electronically, facilitated by the right equipment, IT infrastructure and a comprehensive framework for document management and governance'.

The Director of Regeneration advised that 'this is a corporate wide issue that can only be rectified by investment in technology and cultural change, it is therefore likely to remain a Priority 1 until such times as it is picked up through the Civic Centre Accommodation Strategy'. Therefore, this recommendation remains outstanding.

3.27 Temporary Accommodation

At the previous meeting we reported that there was one outstanding priority 1, shared between Housing and Liberata, relating to rent arrears arising from non-completion of Housing Benefit forms as well as a lack of clarity around the collection of rent, assurances around the use of accommodation and delays in processing evictions.

This area of work covers a three stage, time-critical process; the set-up of accounts, collection of rent and timely intervention if an account falls into arrears.

At a meeting with the Director of Housing and the Head of Allocations and Accommodation on the 4.10.17 it was confirmed that there had been improvements in the communication between teams when setting up rent accounts; with a more cohesive arrangement for sharing information and arranging housing benefit sign ups.

The second stage of the process is twofold. Liberata are responsible for ensuring that rent is collected and that prompt action is taken to engage with the client in the event that they default. Work has been undertaken to review processes and there is now improved communication between housing benefit and rent recovery teams within Liberata to identify where benefit entitlements may end or change to enable action to be taken more quickly to support residents in paying their rent. The Housing Team is also assisting Liberata to redraft the arrears collection procedure and processes. Further work is also being carried out as part of the implementation of a new IT system, which is due to begin a phased implementation in April 2018 and will cover both services.

Housing are responsible for ensuring that temporary accommodation placements are suitable and that they are appropriately occupied. The previous audit found that, due to insufficient staffing levels, there were inadequate checks undertaken to ensure compliance in this area. To this end the service has sought to appoint 2 x temporary accommodation visiting officers. Adverts for this job closed on the 8.10.17 and interviews will be held shortly.

The third stage is the process to evict, where this is necessary. The current eviction referral process and form to collate information has been in operation since 2016. With experience of using this process and the documents used by officers, Housing Management and Acquisitions have identified areas that need to be changed. There has been an interim change in management but responsibility for this area of service has been assigned and will be delivered. The Director of Housing has requested that the Priority 1 remains as outstanding at this time to allow time for new processes to be fully embedded.

The planned Internal Audit review of Temporary Accommodation will be undertaken in quarter 3 and it was agreed that both the completion of Housing Benefit forms and the progress to improve the process for rent collection and eviction will be considered.

3.28 Review of Waivers

The former waiver process (which relied on a single paper form) is being enhanced firstly by developing individual paper templates for each discrete activity and secondly by introducing a new digital Authorisation Process (both of which have been scrutinised by Contracts Sub Committee).

The Contracts Database will hold all Authorisation information about waivers, and five separate templates have been introduced for different procedures e.g. extension beyond contract term, exemption from competition rules. Completed waivers will be held in the Contract Management SharePoint site. New guidance has been published and training is being provided to all contract managers.

Due to the considerable work involved in developing and launching the Contracts Database, the new digital authorisation process is still under development. As it is not yet fully established, we consider that the two Priority 1 recommendations are 'in progress'. Prior to the next Audit-Sub Committee we will carry out testing to ensure that the new control arrangements are operating effectively.

3.29 Street Works

In the audit report finalised on 21/06/2017, 5 priority one recommendations were made.

Contract monitoring meetings – Management advised that the Street works inspections are now provided by an in-house team, the recommendation actions have been implemented for all other Contracts managed by Highways. Internal Audit requested and reviewed the minutes of performance meetings with FM Conway (minor highways works) and O'Rourke's (major Highways works) held during June, July & August 2017 to ensure details of any discussions on contract changes, contractor performance e.g. Key Performance Indicators and any decision making are documented. It was noted that the copies of agendas and contract monitoring reports discussed at these meetings were not provided. Timescales for completion of actions were not recorded. The issues with quality of contract monitoring minutes will be reviewed as part of the future audits in this area. Internal Audit evidenced progress and the recommendation is discharged on this basis.

Variation to the terms of contract without authority – Management advised that they are currently working with the Director of Commissioning and Head of Procurement to prepare a new Change Control Notice (CCN) to allow any variations to existing contracts to be documented and authorised. This was evidenced by minutes of the meeting of Environment Services DMT on 28th September 2017 which was attended by Director of Commissioning to discuss CCN. Internal Audit evidenced progress and the recommendation is discharged on this basis.

Failure to comply with Contract Procedure Rules in respect of additional non-contractual work - The issues of award of non-contractual work to the existing contractor will be reviewed as part of future audits in this area. Internal Audit noted management comments and the recommendation is discharged on this basis.

Inadequate contract monitoring - The issues of unauthorised changes to KPI's will be reviewed as part of future audits in this area as the contract reviewed during the contract has ended. Internal Audit noted management comments and the recommendation is discharged on this basis.

Failure to comply with Financial Regulations (Raising invoices in a timely manner to collect income due) – It was recommended that management agree the procedure to raise draft statements before raising official invoices and acceptable timescales with Director of Finance. Head of Highways advised that the invoicing process has been agreed with the Head of Finance ECS on 27/10/2017. Internal audit will review the agreed invoicing process and its effectiveness in timely collection of income due for permits, inspections and defects and report the progress to next Audit committee meeting. This recommendation will remain open.

3.30 Community Infrastructure Levy

One of the Priority 2 recommendations in our original report had been partly implemented and, in view of our findings during the follow up testing, has been raised to a Priority 1. We found that the CIL and Planning Services Manager has now been given access to Oracle and is able to check information about individual invoices raised and amounts received. We downloaded a Discoverer report from Oracle during our follow up testing which showed that there are currently 39 cases open from previous financial years with 68 debtor invoices outstanding.

Four of these cases involved legal action and were over twelve months old. Furthermore, we noted that there were cases where the Demand Notice amount had been paid but the surcharge remained outstanding. The Land Charges Team were not aware of the surcharges in all of these cases and the Land Charges Register did not therefore have a record of these amounts outstanding.

We also found from our sample testing that in 10 cases, amounts of surcharges invoiced and shown as unpaid on Oracle were either not recorded or shown as different amounts on the report from Exacom which is provided to TfL and shows the future CIL liable amounts. Due to the discrepancies identified, the lack of a procedure in place to reconcile periodically the amounts owed and the need for accuracy and completeness in the recording and reporting of information to TfL and the Land Charges Team, we have raised this to a Priority 1 recommendation.

3.31 Contract monitoring

We found that key supporting documentation including all signed variations to the contract, Performance Bonds or Parent Company Guarantees and Public Liability Insurance documents is not held with the signed and sealed contracts. There is no single source record to identify where key supporting documentation for contracts is held.

Public Liability Insurance was not available for five of the contracts in our sample. In one case, Public Liability Insurance dated 2009 was seen. However, more recent documentation was not provided. It is unclear, therefore, whether or not those contractors have sufficient Public Liability Insurance in place.

We have made two Priority 1 recommendations to address these findings.

3.32 Learning Disabilities

There were three priority 1 recommendations outstanding in this service area; core assessments and reviews, care and support plans, panel decisions to support service agreements.

At the June meeting Members were informed that progress had been made but the audit testing on the original sample identified that the core assessment was outstanding for 2 cases, opened but not ended for 2 cases and reviews were outstanding for 4 cases. At this time it was acknowledged that there had been a high turnover of staff but procedures had been improved, reports generated from the system were being used to monitor cases and two officers would be recruited to complete the review work.

At the update review for this committee, the Learning Disabilities (LD) Team Manager confirmed that one of the Care Manager Assistants engaged to complete reviews had left the Authority. This is part of an ongoing problem to recruit and retain CMA's and is still impacting on the LD team, there is also a dependency on agency staff. Moving forward it has now been agreed to issue LD officers with laptops to allow assessments to be completed directly to the template, this will streamline the process and should reduce elapsed time.

For the November meeting the outstanding cases from previous testing were checked to CareFirst, all had been completed. The testing did identify areas for consideration relating to how the information is shown on CareFirst for reviews and this was discussed with management.

A report of current clients, produced by the Performance and Information Team on the 25.9.17, detailed 1,179 lines of service agreements. Budget monitoring reports detail 678 current clients receiving service as at October 2017. A sample of 5 clients, who have a service agreement starting after the 1.6.17, was randomly selected from the report for audit testing. The sample was satisfactorily checked to CareFirst with the LD Team Manager. There was a significant improvement in the three areas raised by the priority 1 findings, the core assessment, the care plans, the reviews and the panel approval for service agreements. The sample selected represented a range of services, new and old clients but given the volume of clients managed by the LD service is a very small proportion. However, there is satisfactory progress in the three areas to consider the priority 1 recommendations closed.

3.33 We also carried out the following:

- Planned audit work with the focus on completion of the 2016/17 Internal Audit Plan and commencement on the 2017/18 plan.
- Fraud and investigations - the results of which are reported in Part 2 of this agenda..
- Advice and support - Internal Auditors are available to offer advice and consultation to all officers. The input required from Internal Audit varies; ad hoc enquires will be received by e-mail, phone or in person and any advice dispatched is confirmed by e-mail to allow an adequate trail for both parties. Requests are not always settled by one response and have generated audit review work. Internal Audit also attend working groups to advise on system controls and good practice.
- Monitoring/authorisation role for the Greenwich Fraud partnership.
- Liaison work with our external auditors in preparation of their audit of the 2016/17 accounts
- Involvement in proactive exercises that are reported in Part 2.

- Committee work.
- Internal Liaison with the Commissioning Board; Corporate Leadership Team/Directors' Group; Directorate Management Teams and Corporate Risk Management Group.
- External liaison with the various London Audit Groups and our External Auditors

3.34 Waivers

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 2017 to September 2017. As required by the Contract Procedure Rules (CPR) this Committee has to be updated on waivers sought across the Authority at six monthly intervals. 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. The low number of waivers could indicate that officers are using the tendering process or that not all waivers had been captured as indicated in the findings of the audit report on waivers reported previously.

3.35 Publication of Internal Audit Reports

Two exemptions are being sought for this cycle that is explained in part 2 of this agenda.

Since the last cycle of this Committee we have published a further 10 redacted final reports, listed below. At the request of Members of this Committee we have included the audit opinion given to each audit. Follow up audits for implementation of previous recommendations are not given an opinion.

	Audit Opinion
• Bromley Children's Project	Substantial
• Children with Disabilities	Follow Up
• Community Infrastructure Levy	Follow Up
• Contract Monitoring	Limited
• Debtors	Substantial
• Early Years	Substantial
• Internet Usage	Substantial
• Marjorie McClure School	Follow Up
• Payroll	Substantial
• Pensions	Substantial
• Poverest Primary School	Follow Up
• Street Works	Limited
• LB Bromley Parking Enforcement report by RB Greenwich 2015.	

3.36 Appointment of External Auditors

It had been had previously reported that from the financial year 2018/19 the appointment process under the Local Audit and Accountability Act 2014 will be operational. The Act provided for the approval of a sector-led body to act as 'appointing person' and to undertake a procurement exercise and appointment on behalf of the authority. Public Sector Audit Appointments Ltd (PSAA) attained accreditation to be an appointing person under the requirements of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) from the Secretary of State. The decision to go through PSAA received full council approval. In August PSAA sent a formal communication to the Chief Executive and Director of Finance to consult on the appointment of Ernst & Young LLP to audit the accounts for five years from 2018/19. The appointment will start on 1 April 2018.

Ernst & Young LLP (EY) is a multinational professional services firm with 231,000 employees based in over 150 countries worldwide. They provide assurance, tax, consulting and advisory services, and are one of the "Big Four" accounting firms. EY employs around 13,000 people in the UK. There are 240 staff including 14 Key Audit Partners who currently work full-time in the Government and Public Sector assurance service team, who are also able to draw from an extensive pool of specialists.

In developing this appointment proposal, PSAA have applied the following principles, balancing competing demands as much as they can, based on the information provided to them by audited bodies and audit firms:

- ensuring auditor independence, as they are required to do by the Regulations;
- meeting their commitments to the firms under the audit contracts;
- accommodating joint/shared working arrangements where these are relevant to the auditor's responsibilities;
- ensuring a balanced mix of authority types for each firm;
- taking account of each firm's principal locations; and
- providing continuity of audit firm if possible, but avoiding long appointments

3.37 Letter of Representation

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 2016/17 Statement of Accounts. Members are asked to note the Letter of Representation attached as Appendix C.

3.38 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 D is our publication on the Council's web site of the fraud statistics for 2016/17.

3.39 Annual Audit Letter

The annual audit letter for 2016/17 issued by the external auditors is attached as Appendix E. The headlines to note are following. They issued a qualified 'except for' VFM conclusion in relation to children's services following the Ofsted rating as improvements had not been in place for the entirety of 2016/17. They issued an unqualified opinion on the authority's financial statements on 27th September 2017. This means that they believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the pension fund.

3.40 Objection to the accounts

The Council's Accounts and related records were made available for public inspection for 30 working days between 3rd July 2017 and 11th August 2017. This is a requirement of the Regulations and must take place prior to the completion of the audit. An elector in the Bromley borough has raised two objections to the 2016/17 accounts:

Waste Management and Street Cleansing Services;

Trade Waste Collection Service.

As a result of these objections the audit cannot be formally concluded and an audit certificate issued

3.41 Minutes (extract) of the General Purposes and Licencing Sub-Committee 12-9-17

The meeting considered findings and recommendations from the Council's External Auditors KPMG. The minutes recorded the following:

Members raised the issue of Journal Posting. The Auditors recommended a monthly process be put in place for a sample of journals to be checked to see that they are correct. Officers responded that they were not aware of any priority one recommendations relating to this issue, but undertook to discuss this recommendation with Internal Audit. A Member requested that this matter be referred to Audit Sub-Committee for consideration.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 4.1 The contents of this report have implications for both adults and children in respect of cost and also care requirements in for instance.

5. POLICY IMPLICATIONS

None

6. FINANCIAL IMPLICATIONS

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

7. PERSONNEL IMPLICATIONS

- 7.1 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.

8. LEGAL IMPLICATIONS

8.1 There is a statutory requirement to provide an internal audit function through the Accounts and Audit Regulations 2015.

9. PROCUREMENT IMPLICATIONS

9.1 The contents of this report have implications for procurement relating to contract procedure rules, financial regulations and VFM issues.

Non-Applicable Sections:	Policy
Background Documents: (Access via Contact Officer)	None