

**Decision Maker:**       **AUDIT SUB-COMMITTEE**

**Date:**                   **Thursday 24 May 2018**

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

**Title:**                   **INTERNAL AUDIT PROGRESS REPORT**

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**Chief Officer:**        Director of Finance

**Ward:**

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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:-

- 3.3 Audit Activity
  - 3.3.1 Priority 1 Recommendations
  - 3.11 Audit Report Summaries
  - 3.20 Publication of Internal Audit Reports
  - 3.21 Auditor of the Year
  - 3.22 Risk Management
  - 3.24 Waivers

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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 published on the Council's web-site**
- c) **Approve the nomination for Auditor of the Year**
- d) **Note the latest position on the Council's Departmental and Corporate Risk Registers**
- e) **Note the list of waivers sought since October 2017**

## Impact on Vulnerable Adults and Children

1. Summary of Impact:
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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: £560K
  5. Source of funding: General Fund, Legal cost recoveries
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### Personnel

1. Number of staff (current and additional): 6.5 FTE (currently one FTE vacant)
  2. If from existing staff resources, number of staff hours:
- 

### Legal

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

1. Summary of Procurement Implications: Some findings I this reports will have procurement implications.
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 100 including Chief Officers, Managers, 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 This report advises Members of the Audit Sub-Committee on the work undertaken by the Internal Audit Team since the meeting held on 7<sup>th</sup> March 2018 and the level of assurance on that work. 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) and other guidance.

3.2 It should be noted that due to the revised deadlines that apply which require draft accounts by 31<sup>st</sup> May and final accounts by 31<sup>st</sup> July, this meeting has been brought forward a month in comparison to previous years and therefore is only a brief time lapse between this meeting and the last.

#### **3.3 Audit Activity**

3.3.1 The current list of priority 1 recommendations is shown in Appendix A. There have been further additions detailed in the report, and some movements in those brought forward.

3.3.2 Paragraphs 3.4 to 3.9.5 of this report detail the follow up work on the outstanding priority 1 recommendations to update Members. A summary of audits completed since the last meeting of the Audit Sub Committee which contain new priority 1 recommendations can be found in paragraphs 3.10 to 3.11.4. Paragraphs 3.12 to 3.17.2 relate to other completed audits stating the audit objective, the opinion and a brief summary.

#### **3.4 Document Storage and Retention – Priority 1 Update**

3.4.1 As an update for this Committee, the Director of Regeneration confirmed that the brief for the Instruction and Intention to Tender for a Multi-Disciplinary Consultancy Evaluation for the Civic Centre Strategy makes a clear reference for the need to move to a “paper light” environment. It is envisaged that the consultants will be appointed in quarter 2 of 2018 with a project delivery date of 2021. In the interim period the Senior Property Manager will continue to work with service heads across the Council to ensure that there is clear awareness.

3.4.2 The Senior Property Manager confirmed that 20 Bromley officers had been e-mailed and reminded to confirm destruction of 904 boxes held by TNT. As at the end of April 2018, authorised forms had been received from 9 officers to instruct TNT to take action; 63 boxes were destroyed and 15 boxes confirmed to be retained. TNT are awaiting instruction on 826 boxes.

3.4.3 Since this priority 1 was raised in November 2016 there has been developments in the Council with regard to document storage and retention, specifically the need for GDPR compliance. All departments have appointed Information Asset Owners and Assistants and should therefore be focused on what information is stored and where. Similarly work is currently underway to review and evaluate the Council’s retention of documents policy.

3.4.4 The issue is two fold, historic data held and the need to reduce stored data moving forward. It is evidenced that with the current initiatives of GDPR, retention policy and accommodation strategy, managers must consider document storage and should therefore address the issues identified by this priority 1 finding. At this time the recommendation remains outstanding.

### **3.5 Review of Waivers – Priority 1 Update**

- 3.5.1 Both priority 1 recommendations are being progressed as part of the proposed electronic Authorisation Process, which is being developed as part of the Contracts Database (CDB).
- 3.5.2 It is currently anticipated that this Authorisation Process will be ready in August 2018. The process will generate and securely store formally approved authorisations in accordance with the Council's Contract Procedure Rules, so that there is one agreed and auditable record for every contract authorisation (including contract variations). Training will be provided to Contract Owners to facilitate a clear understanding of the process.
- 3.5.3 The new authorisation process is designed to address all aspects of the two priority 1 recommendations including:
- 1:** (i) verification by Commissioning & Procurement (C&P will be a signatory); (ii) storage of the forms (these will be securely held within the CDB); (iii) form number system (this will relate to contract ID); (iv) ensuring all elements are completed (activity cannot be authorised until the form is fully completed)
- 2:** (i) form separation (discrete forms have been developed for each activity); (ii) date & signature requirement (this is built into the alerting and workflow system); (iii) total expenditure with supplier (this would best be done through Oracle which captures all expenditure including activity below the threshold used in the CDB); (iv) indisputable record (there will be one agreed and auditable record for each authorisation)
- 3.5.4 While the new system is being developed, the new paper authorisation forms (referred to previously in the last update) will continue to be used by the relevant services to ensure that contracting activity (for both new contracts and variations to contract) is properly authorised and recorded.
- 3.5.5 These paper forms have been revised so that they will work smoothly as part of the electronic Authorisation Process (e.g. they will be automatically populated wherever possible) and equally importantly that they can be output as officer or committee reports.
- 3.5.6 An important aspect of the new system is that an alerting and workflow process will ensure that contract activity is authorised by the relevant officers relative to the values of the activity concerned.
- 3.5.7 Going forward, it will be possible to produce a report listing the most recent contract authorisations and Change Control Notices. The recommendations are therefore in progress but remain open.

### **3.6 Reablement Service – Priority 1 Update**

- 3.6.1 We had previously reported that as this service is currently in the process of being tendered and the issue was reported in Part 2 at the request of management. The transfer of the service to BCCG was awarded in June 2017 with the transfer on 1st December 2017. This is now not due to happen and the service is remaining in house as approved by the Executive.
- 3.6.2 As the transfer is no longer taking place, the priority 1 recommendation relating to the Outcome Measurement Tool (OMT) has been reinstated and retested as this would have been reviewed by BCCG. Sample testing showed that issues arose with all 5 cases at the time of testing. Two of the OMT were found to be incomplete and there was no OMT located for the remaining three cases at the time of testing.

3.6.3 The Operations Manager advised the Auditor on the 23/4/18 that all staff have been reminded that they are to commence the OMT, when referring for this service.

3.6.4 In respect of the previous priority 1 recommendation relating to key performance data, testing found that from the data provided to Internal Audit for 18<sup>th</sup> December 2017 to 2nd April 2018, there still remain some inconsistencies. Contact time continues to be below the target of 65% and inconsistencies remain with the data contained within the monitoring spreadsheets. Therefore, this recommendation is partially implemented.

### **3.7 Contributions Policy – Priority 1 Update**

3.7.1 In respect of the previous priority 1 recommendation related to charges not being levied for cancelled calls where service users failed to provide 24 hours prior notice. A process has now been put into place whereby a charge of £14.34 is levied. The Interim Direct Service Manager confirmed by email on 9/5/18 that the implementation of the charge has notably reduced the numbers of aborted visits. This recommendation has now been implemented.

### **3.8 Contract Monitoring – Priority 1 Update**

3.8.1 Members were previously informed that the Internal Audit review of contract monitoring, issued on 26 October 2017, found that key supporting documentation including all signed variations to the contract, Performance Bonds or Parent Company Guarantees and Public Liability Insurance documents was not held with the signed and sealed contracts. There was no single source record to identify where key supporting documentation for contracts is held.

3.8.2 We made two priority 1 recommendations to address these findings.

3.8.3 Further to the update given to the previous meeting of the Audit Sub-Committee, all Contract Owners (and Deputies) were reminded by email on 9 April 2018 that they are required to set up and maintain their information on the Contracts Database. They were requested to upload key contract documents (if they had not already done so) by 28 May 2018.

3.8.4 Attached to the email was an extract from the Contracts Database Training Manual showing how and where to upload documents on the contracts database. It also listed which documents to upload, including performance and insurance bonds and certificates. We consider therefore that the two priority 1 recommendations are closed.

3.8.5 It should be noted that our Internal Audit Annual Plan for 2018/19 includes a review of the use of the Contracts Database.

### **3.9 Agency Staff – Priority 1 Update**

3.9.1 The final report on agency staff, issued in March 2018, contained three priority 1 recommendations. The first of these three recommendations related to the need for governance arrangements to be put in place for the recruitment and management of agency staff across the Council. The Director of HR is progressing this as an agenda item for discussion at the next Corporate Leadership Team meeting. At this time the recommendation remains outstanding.

3.9.2 The second priority 1 recommendation was for Directors to review, by 30 April 2018, their agency staff engagements which currently exceed six months and obtain approval from the Director of HR where there is a need to extend the engagement. The Director of HR has recently asked Directors to do this and the recommendation is in the early stages of being implemented. As such, although the recommendation is being progressed, it remains outstanding.

3.9.3 The final priority 1 recommendation related to HR reminding managers of the need to ensure that when an agency worker leaves the Council, the process of removing the IT systems access and recovering the security pass and any Council equipment, is carried out promptly. The Head of HR Strategy and Education has revised and updated the guidance on agency staff for managers and this has been issued to managers. It will be also be publicised at the next Corporate Leadership Team meeting, the manager's briefing in June and put on the Council's intranet site. We consider that this recommendation has, therefore, been implemented.

### **3.10 The Community Equipment Store (TCES) – Priority 1 Update**

- 3.10.1 Members were previously informed that the Internal Audit review finalised in December 2017 gave a limited assurance for the effectiveness of overall controls for TCES. Eleven recommendations were raised; one priority 1, eight priority 2 and two priority 3 recommendations.
- 3.10.2 Management accepted and agreed all eleven recommendations, remedial action to be in place by the end of the financial year. The priority 1 recommendation related to a lack of clarity regarding the roles and responsibilities for contract monitoring; including performance monitoring and contract compliance. Since the retirement of the previous Contract Manager in May 2017, a replacement officer had not been directly assigned to the role. The Director of Adult Social Care had confirmed that the Head of Service, Assessment and Care Management would be the contract manager but with support from the Strategic Commissioner, ECHS Programmes and the roles and responsibilities would be effective immediately, December 2017.
- 3.10.3 To update this Committee and follow up the priority 1, interviews were held with the Head of Service and Strategic Commissioner Programmes. Both officers confirmed their appointed roles and responsibilities with regard to the TCES contract. The Head of Service is the contract owner/budget holder but as a complex contract the Programmes Team have nominated a Senior Commissioner to lead on TCES.
- 3.10.4 The Procurement Officer nominated to undertake contract monitoring confirmed attendance at the Consortium Board meetings with the nominated operational lead; the acknowledged practitioner who liaises with the Occupational Therapists. It was not possible to measure the effectiveness of the monitoring role as no data or management information has been available from the system since the new contract commenced on the 1/4/17. As at the 31st March 2018 no monitoring to KPI's has been possible throughout 2017-18. However on the 23rd April the Procurement Officer confirmed that KPI data was now available for 2017-18 and he was starting to process the data and would be reporting to the nominated leads for TCES.
- 3.10.5 The Department have evidenced that the roles for TCES have been allocated and the nominated officers understand their responsibilities. The priority 1 is therefore considered closed and the remaining recommendations relating to a signed copy of the call off contract, meeting minutes, performance to KPI's, overall performance, management reports, standard suite of reports, explanation of variances and exception checking on invoices will be reviewed during a planned follow up in 2018-19.

### **3.11 Children with Disabilities – New Priority 1**

#### **Objective**

- 3.11.1 Review the system to assess and monitor clients. Include respite, placements and other care settings. Consider the controls in place to ensure that value for money objectives are met

#### **Audit opinion – Limited**

- 3.11.2 One priority 1 recommendation and seven priority 2 recommendations have been made. The priority 1 recommendation related to providing support for a service user in a high cost residential placement from 11/9/17 (split funded) at a cost of £3,072.85 per week since 11/9/17. However, the service user has been attending only 2 out of 4 nights funded. Issues arose with payments for three other cases; firstly, a backdated payment of £11,857.70 dated 23/2/17, which was a one off payment. Retrospective approval was made for the period 13/2/17 to 24/7/17. The Head of Service confirmed that this period was prior to his start at Bromley.
- 3.11.3 A further service agreement dated 19/6/17 for £2,221.60 per week, does not reconcile to the breakdown provided on Carefirst and the mileage rate had also been calculated incorrectly. Instead of 37.6 miles x 0.45p per mile which is £16.92, £37.60 was paid each week, resulting in an overpayment of £ 20.68 per week.
- 3.11.4 Secondly, a service agreement which commenced on 4/9/17 for £69.92 per week and the direct payment covers 4 hours support a week at the rate of £17.92. However, the weekly payment should be £71.68 and equates to a shortfall in the direct payment of £1.76 per week.
- 3.11.5 Thirdly, a service agreement which commenced on 27/3/17 at the rate of £21.46 per week which equates to the direct payment rate of £10.73, the children's direct payment rate. However, on Carefirst, the service agreement notes specify that the rate is £21.56 causing confusion.
- 3.11.6 The seven priority 2 recommendations related to annual reviews, placement reviews, supporting documentation, the direct payment rate for children, contract monitoring and occupancy levels.

## **3.12 Review of Compliance with the Intermediaries Legislation (IR35) - New Priority 1**

### **Objective**

- 3.12.1 To review the key controls around the Council's compliance with the Intermediaries Legislation (IR35)

### **Audit opinion – Substantial**

- 3.12.2 Controls were in place and working effectively in the areas of ownership of the process by HR and retrospective checks carried out by HR to identify any suppliers set up which may be a Personal Services Company and where an IR35 assessment had not been completed.
- 3.12.3 We have made one priority 1 recommendation to improve the controls. This relates to HR reminding managers to ensure that an IR35 assessment check is carried out on the chosen supplier of a service, by the relevant manager, before the supplier is formally engaged for the role and set up on the Oracle financial system. Any incident of non-compliance identified should be reported immediately by HR to the relevant Director to consider what action should be taken.
- 3.12.4 We have also made two priority 2 recommendations. One of these concerns the periodic review of guidance and procedures to ensure that they are up-to-date and have a responsible officer assigned. The other recommendation relates to maintaining records of all agency workers not engaged through Adecco, interims and contractors who are operating as a Personal Services Company (PSC).

### **3.13 Treasury Management**

#### **Objective**

3.13.1 To review the key controls around the Council's investments and borrowings.

#### **Audit opinion – Substantial**

3.13.2 Controls were in place and working well in the areas of assessing the Council's financial position regularly, complying with investment processes and completion and accuracy of investment records. We also found that monthly reconciliations are being performed, investments are being made to maximise returns to the Council; and relevant investment related information is supplied to senior management on a regular basis.

3.13.3 We have made three priority 3 recommendations to improve the controls. These relate to evidencing the separation of duties when quarterly investment reconciliations are performed and seeking assurance from Investment Managers relating to the design and operating effectiveness of the internal controls in place over their systems for financial reporting.

3.13.4 We also recommended maintaining an audit trail to support the reasoning for those instances where investments in Money Market Funds had not been made at the highest annual rate of return.

### **3.14 Main Accounting and Revenue Budgetary Control**

#### **Objective**

3.14.1 To test key controls around financial administration, specifically around the approval of journal transfers. This was highlighted within an external audit report and highlighted to Audit Sub Committee in November 2017. The audit also followed up issues identified in the previous Main Accounting audit.

#### **Audit opinion – Substantial**

3.14.2 Testing identified that journal transfers are processed by one authorised officer without any further approval process being in place. There is no regular management review of journals. In response to the Audit management are introducing a quarterly sample check of journals.

3.14.3 Supporting documentation was found not to be readily available in one case and when produced contained an error which was then corrected.

3.14.4 Five previous members of staff had since left employment at the Authority but remained on the list of current FIS users. Internal Audit were informed that managers are not always completing the leavers form correctly to ensure that access to Oracle is removed. Therefore, the FIS team are not being notified. Internal Audit were advised by the HR Support Services Team Leader on 2/5/18, that when a member of staff leaves the Authority, an end date is entered onto Resourcelink and that this starts a process whereby an email is generated which activates the suspension of the user's account on the last day of service. A finding has not been made within this report, but instead the process will be fully tested within the Starters and Leavers Audit for 2018-19.

### **3.15 Children's Safeguarding**

#### **Objective**

3.15.1 Review the system to monitor the budget, assessments and controls to ensure that all cases are effectively managed within agreed timescales and according to safeguarding procedures.

#### **Audit opinion – Substantial**

3.15.2 Controls were in place and working well in the areas of policies and procedures; timely receipt and recording of referrals on CareFirst; timely completion and recording of assessments on CareFirst; development and monitoring of Child Protection/Children in Need plans; regular monitoring meetings; timely closure of cases when the safeguarding concern had been removed and management information was produced and reviewed on a weekly basis.

3.15.3 A priority 2 recommendation was raised with regard to training programmes to ensure that staff receive relevant training according to their job roles and that appropriate training records are maintained.

3.15.4 A priority 3 recommendation was raised in respect of the upload of information to CareFirst and the need for officers to use consistent document names and save information to consistent locations.

### **3.16 Contracts and Commissioning for Public Health**

- a) NHS Health Checks Programme Point of Care Testing
- b) Procurement of NHS Health Checks through the GP Alliance
- c) Health Visiting Service 0-4 years including the Family Nurse Partnership

#### **Objective**

3.16.1 The objective of these audits was to:-

- a) Review controls on reimbursement for point of care testing consumables for the NHS Health Checks programme,
- b) Review the pilot for the procurement of NHS Health Checks through the GP Alliance,
- c) Carry out a health check of the new contract for provision of Children's Services (0-4 years) within Public Health, to ensure compliance with Financial Regulations and Contract Procedure Rules.

#### **Audit opinion – Substantial (for all three audits)**

3.16.2 Controls were in place and working well in the areas of data management and analysis.

3.16.3 Four priority 3 recommendations have been made to further improve controls. These relate to ensuring that invoices state to which month the payment relates; orders are raised in a timely manner to accurately reflect budget commitments (this recommendation was made in both reports relating to the NHS Health Checks programme) and that GP Surgeries provide independent confirmation to Public Health of orders placed, goods received and certificates of destruction completed for goods compromised in transit, through the consumables for point of care testing contract.

### **3.17 Southborough Primary School**

#### **Objective**

3.17.1 Adequacy and effectiveness of the system of controls surrounding the financial administration of the school, as required by the 1998 School Standards and Framework Act Section 48, paragraph 2(d) and the Authority's Scheme for Financing Schools.

#### **Audit Opinion - Substantial**

3.17.2 Internal Audit visited the school on the 27th and 28th February. Controls were in place and working well in the areas of financial management, governance arrangements and for primary accounting, voluntary funds, bank reconciliation, DBS checks, income and credit cards.

3.17.3 There were 6 priority 2 recommendations relating to a review of the expenditure process to improve the procedures to authorise; evidencing annual completion of the HMRC online questionnaires for payments to individuals; banking of income, in respect of charity collections, promptly; checking the arithmetic accuracy on timesheets; reconciliation of ParentPay to the school system and current information shown on the asset register.

3.17.4 There were 3 priority 3 recommendations relating to the availability of the signed pecuniary interest forms for Governors; the need to update the contracts register and to update the lettings information displayed on the school website.

3.17.5 All findings were discussed and agreed with the Head Teacher and School Business Manager at the end of audit meeting on the 15th March. The management comments incorporated in the report finalised on the 9th April indicate that the school have implemented all recommendations.

### **3.18 Tackling Troubled Families**

3.18.1 The Troubled Families Programme is a government agenda led by the Ministry of Housing, Communities and Local Government, in partnership with the Departments for Education, Health, Work and Pensions and Ministry of Justice. A local authority can claim a results payment if it can demonstrate that an eligible family has achieved significant and sustained progress against all problems identified at the point of engagement and during the intervention or if an adult in the family has moved into continuous employment.

3.18.2 We analysed a random sample of 15 individual claims for the claim period between 1 April 2017 and 31 March 2018. From our testing we found that there was documentary evidence to support that the individual claims met the employment or significant and sustained criteria, enabling a claim to be made.

3.18.3 We also confirmed that the total amount claimed for payment by results for the 150 individual claims submitted between the period 1 April 2017 and 31 March 2018 was £120,000. 14 were employment claims and 136 were for significant and sustained progress made.

### **3.19 Other Internal Audit activity**

3.19.1 We also carried out the following:

- Planned audit work.
- 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. 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.
- Attended as a witness and presented evidence at a disciplinary hearing
- Internal Liaison with the Commissioning Board; Corporate Leadership Team/Directors' Group; Directorate Management Teams and Corporate Risk Management Group.
- External liaison with the London Audit Group.

### 3.20 Publication of Internal Audit Reports

3.20.1 Four exemptions are sought for this cycle, explained in Part 2 of this agenda.

3.20.2 Since the last cycle of this Committee we have published 10 redacted final reports, listed in the table overleaf. 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
Children with Disabilities	Limited
Review of compliance with the Intermediaries Legislation (IR35)	Substantial
Treasury Management	Substantial
Main Accounting and Revenue Budgetary Control	Substantial
Children's Safeguarding	Substantial
Contracts and Commissioning for Public Health (NHS Health Check Programme Consumables)	Substantial
Contracts and Commissioning for Public Health (NHS Health Checks GP Alliance)	Substantial
Contracts and Commissioning for Public Health (Children's Services 0-4)	Substantial
Southborough Primary School	Substantial
Tackling Troubled Families	N/A

### 3.20.3 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 1 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 1 recommendations considered to be fundamental control system weaknesses and/or several priority 2 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.

### 3.21 Auditor of the Year

3.21.1 The Annual Report on the agenda highlights how the Internal Audit team reviewed current working practices and alternatives to the commercial IT system that had been in place for many years. Following the decision to develop bespoke systems using MS Word and Excel and associated processes in house Barrie Cull, Principal Auditor played a key role in producing monitoring systems and working paper templates along with his normal workload. This work will also help contribute to required savings and it is noted that research was done by Barrie in his own time. The newly developed systems have been successful although this has taken some time to develop with time required for the development of a suite of documentation for terms of reference, control matrices, report templates, review records and client questionnaires. He was also the Section's lead for GDPR compliance. Barrie has produced some outstanding audit work this year including the Community Infrastructure Levy review which identified priority 1 findings relating to uncollected income, the agency review which was a complex cross departmental audit identifying three priority 1 findings and the waivers audit which identified two priority 1 findings. For these reasons I should like to nominate Barrie for Auditor of the Year.

### 3.22 Risk Management

3.22.1 Members will be aware that we had commissioned Zurich our insurers to carry out a check and challenge process on the risk registers to be undertaken for each of the three Directorates (Education, Care & Health Services (ECHS), Environment & Community Services (E&CS) and Chief Executive Directorates). The process provided the Directorate Management Teams (DMTs) with an independent discussion on risk and one that challenged, refreshed and validated the risk register content. The output from the exercise was updated risk registers.

3.22.2 Zurich's findings and recommendations were discussed at the Corporate Risk Management Group (CRMG). Finally the findings were discussed at Corporate Leadership Team, where it was agreed to undertake the same challenge and scoring process for corporate risks. The registers were reported to the Audit Sub Committee and then the respective PDS Committees.

3.22.3 It was agreed that Risk Registers would be reviewed at least 6 monthly, updated and reported first to Audit Sub-Committee and then to the respective PDS Committees. Internal Audit have discussed the registers with DLT's and CLT. They have also been discussed at a meeting of the CRMG. The updated Risk registers are shown in Appendix B.

3.22.4 A meeting of the CRMG was held on the 10<sup>th</sup> April. The agenda considered a wide range of topics. Following this, for example, representatives from Bromley have been invited to attend a fire safety seminar hosted by RB Greenwich, in October, which will be run by a senior fire protection engineer from Zurich Risk Engineering. As part of the Council's Insurance Contract with Zurich there is a "notional budget" to use the services of their Strategic Risk Management Consultants and their expertise and knowledge to further strengthen risk management and control arrangements within the Council.

3.22.5 CRMG commissioned two pieces of work to be undertaken in 2018:

### **1. Information Governance & GDPR Health-Check**

A desktop analysis of existing information, security policies and procedures. 1 day of onsite interviews with key stakeholders. Playback meeting with key stakeholders to review key findings.

### **2. Business Continuity Plan Testing**

Comprehensive scenario based tests on the Council's plans. This will allow for any potential weaknesses or impracticalities to be identified and resolved. Design and facilitate testing workshops to suit and feedback learning and best practice points through a briefing and summary report.

## **3.23 External Audit Fees**

3.23.1 The Council's new External Auditor's Ernst & Young have written to the Council outlining the indicative fees for auditing the Council's accounts and that of the Pension Fund for 2018/19. These fees are based on the scale fees published by Public Sector Audit Appointments Ltd.

3.23.2 The indicative fee for 2018/19 is £91,689 for the Main Accounts and £16,170 for the Pension Fund.

3.23.3 Their plan is to engage with the outgoing auditors KPMG later this year and commence their planning processes once they have concluded on 2017/18. Their letter is attached as Appendix C.

## **3.24 Waivers**

3.24.1 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 D reflects waivers sought for the period October 2017 to March 2018. 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.

**4. IMPACT ON VULNERABLE ADULTS AND CHILDREN**

The contents of this report will have implications for both adults and children in respect of cost and care requirements.

**5. POLICY IMPLICATIONS**

None

**6. FINANCIAL IMPLICATIONS**

Some of the internal audit findings may have financial implications.

**7. PERSONNEL IMPLICATIONS**

None

**8. LEGAL IMPLICATIONS**

Internal Audit is a statutory function under the requirements of the Accounts & Audit Regulations 2015.

**9. PROCUREMENT IMPLICATIONS**

The contents of this report have implications for procurement relating to Contract Procedure Rules, Financial Regulations and VFM issues.

<b>Non-Applicable Sections:</b>	Policy & Personnel
Background Documents: (Access via Contact Officer)	None