Report No.
FSD 19024

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**AUDIT SUB-COMMITTEE**
Date:	**Tuesday 26 February 2019**
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);

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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:-

3.2 Risk Management
3.3 Audit Activity (Key Findings)
3.4 Audit Activity (Priority 1 Commentary)
3.5 Audit Activity (Other work)
3.6 Update to the Anti-Fraud and Corruption Policy, Raising Concerns (Whistle-blowing policy), Anti Bribery Policy and Procedures and Money Laundering Protocol.
3.7 Publication of Internal Audit Reports

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2. RECOMMENDATION(S)

a) Note the Progress Report and comment on matters arising

b) Note the list of Internal Audit Reports published on the council's website

c) Note and approve the updated Anti-Fraud & Corruption Policy and associate documents.

Impact on Vulnerable Adults and Children

1. Summary of Impact: Some of the audit findings could have an impact on Adult and Children's Services

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Corporate Policy

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

Financial

1. Cost of proposal: Not Applicable:
2. Ongoing costs: Not Applicable:
3. Budget head/performance centre: Internal Audit
4. Total current budget for this head: £560k including £165k Fraud Partnership Costs.
5. Source of funding: General Fund/Legal Cost recoveries

Personnel

1. Number of staff (current and additional): 6.5 FTE (1 Post currently vacant)
2. If from existing staff resources, number of staff hours: 2018/19 – 900 days are proposed to be spent on the audit plan, fraud and investigations – excludes RB Greenwich investigators' time.

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, Heads of Service, Head Teachers and Governors.

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 Internal Audit Progress

3.1.1 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, 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)

3.1.2 In simple terms this assurance will assess whether risks are being appropriately managed. This will help the organisation to; avoid surprises, establish whether activities are being delivered as expected and ensure opportunities are delivered in an efficient way. This provides accountability to our stakeholders and establishes priorities for managers where further action is required.

3.2 Risk Management

3.2.1 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 controls within the Council. Members will be aware that the following work streams were commissioned for 2018/19:-

- Risk Register Refresh, Check and Challenge
  A series of Check and Challenge sessions to review and refresh the departmental risk registers resulting in an updated suite reflecting the current risk profile of the organisation.

3.2.2 The Risk Register refresh took place between December 2018 and January 2019. None of the registers required wholesale changes and a good general awareness and understanding of Risk Management was reported. Overall, there was a good level of engagement and it was evident through discussions that over the last couple of years, and in particularly recently, risk has become more embedded and is more 'live'.

3.2.3 The revised suite of registers will be presented to Audit Sub Committee at the June meeting and will accompany the Annual Governance Statement.

- Information Governance Health Check
  A desktop review of the existing policies and procedures, supported by a series of interviews with key stakeholders, resulting in recommendations for improvement and an Information Risk Maturity grading.

3.2.4 The Information Governance Health Check took place in November 2018 and was scoped to dovetail with the Internal Audit review of the area. The outcome of the Health Check was positive, with the organisation aware of the areas for improvement. Although a number of recommendations were made, these are in line with the issues and actions the organisation has already identified. The IT transformation project due to take place over the next 18 months will also mitigate a number of the associated risks/gaps. The full Health Check report

forms appendix A of this paper with the Internal Audit report published as part of the Information Briefings accompanying this agenda.

- Business Continuity Planning
  Provision of guidance and reassurance on best practice and approach supplemented by testing, through suitable scenarios, of the Business Continuity plans of each directorate to provide greater awareness of the individual service needs and responses to others.

3.2.5 Since the review was planned, both members of staff who oversaw Business Continuity and Emergency Planning have left the Council. The new Head of Service has been carrying out a review of the current position. It was agreed that the internal audit planned for this area will be deferred to 2019/20. In terms of the risk management review, a scoping exercise took place in Quarter Three with three days now set aside towards the end of March to provide professional support to Business Continuity Plan leads. The aim of this is to assist in the review and/or development of the Business Continuity plans for services designated as Priority 1 for the purpose of business resumption. Subsequent to this, the plans will be tested through an exercise designed to assess the response to major disruption.

3.3 Audit Activity (Key Findings)

3.3.1 The latest list of outstanding Priority 1 recommendations is shown in Appendix B. There have been some additions since the last meeting of this Committee and these are detailed below. There has also been some movement in Priority 1 recommendations brought forward that are also detailed below.

3.3.2 A summary of key findings from Audits completed to date follows. Members are reminded that the full reports have been published with the agenda if they require further detail.

3.3.3 Housing Register

Audit opinion	Substantial

3.3.4 The overall objective of the audit was to review the online applications procedures and the verification process prior to the allocation of Housing.

3.3.5 Controls were in place and working well in that an up to date housing allocation scheme was available on Bromley Home seekers internet page to show how the Housing Association's housing stock is distributed; a visiting officer undertakes sample visits to applicants wanting to join the register and those currently on the register and these visits are logged; properties for bidding are available to view by applicants on the Bromley Home seekers internet page and there is evidence that Housing Associations contact the Authority where queries arise with nominations

3.3.6 We made six Priority 2 recommendations to improve controls. These related to nomination agreements, application forms to state how information is to be processed stored and shared; the need for data sharing agreements; for the Housing Association to notify the Authority when a nomination is successful; verification check forms to be approved if appropriate and development of a procedure note to detail what information should be collected during visits. One Priority 3 recommendation was raised relating to the need for spot check forms to be signed by completing officer.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	6	6	0
Priority 3	1	1	0

3.3.7 Parking Income

Audit opinion	Limited

3.3.8 The overall objective of the audit was to review key controls to include controls on new collection arrangements under the new contract.

3.3.9 Two Priority 1 recommendations were made that related to contract variations and key performance indicators.

Contract Variations

3.3.10 On reviewing the Change Control Notices applicable for the contract it was found that in relation to CCN 9, that related to Acquiring Charges, the financial impact of the CCN was an increase of £1,800-£2,100 per month to the contract. This relates to the charges that had been incurred by the contractor since the commencement of the contract for using the merchant account for cashless payments. This would equate to £25,200 per year and £252,000 for the lifetime of the contract. However, discussions with the Acting Head of Parking confirmed this could higher as this increase was based on usage.

3.3.11 Due to the value of the CCN, enquiries were made whether a contract variation sign off form was ever completed with parking services obtaining the relevant approvals via Acting Head of Parking and the Director of Regeneration.

3.3.12 It is noted that within Schedule 5 of the contract which relates to Change Control Procedures; that 'A Change Control Note signed by both Parties shall constitute a variation to this Contract in accordance with the terms of the Contract'.

3.3.13 Internal Audit liaised with the Procurement team that confirmed that due to the value the CCN it would require the sign off form and go via the Commissioning Board as well as requiring Portfolio Member's Approval.

3.3.14 This also applies to CCN 1 that relates to £16,063 with the effect over the lifetime of the contract being £160,630. Internal Audit have not seen sight of the relevant sign off sheet and Portfolio Member's Approval in both cases.

3.3.15 Management have agreed that the relevant CCN will be countersigned by the Chief Officer and Portfolio Holder. A full review will be undertaken by management.

Key Performance Indicators

3.3.16 When reviewing the key performance indicators contained within the contract; a number of issue arose:-

- The process of collecting KPI's and the relevant documentation used was found not to be standardised. The process by which KPI's are collected is not clearly defined and data held in relation to each of the indicators is not readily accessible.
- The KPI table that was previously completed stopped being produced. The new Acting Head of Parking advised that this had now been reinstated. The table will need to be amended and reviewed to ensure all relevant information is available at any given time such as responsible officer, source of data etc.
- The KPI table should be supported by relevant documentation detailing the frequency of collection, responsible post holder, KPI target, KPI actual and the applicable default for the relevant period.
- KPI's that are not collected frequently should have the relevant supporting documentation to confirm this as such.
- Staff responsible for collecting the KPI's should be easily identifiable.
- There is currently a lack of understanding from the Parking Services team in respect of their knowledge of responsibilities in collecting the KPI data and the impact of the KPI data.

3.3.17 Management have reinstated the KPI table and the table has been reviewed. A full review of the KPI's will be undertaken.

3.3.18 We made five Priority 2 recommendations to improve controls. These related to the procedures not being in place at the commencement of the contract; format of contract monitoring minutes; issues identified with change control notices; officers and management had not completed the mandatory financial regulations course and a lack of supporting documentation.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	2	2	0
Priority 2	5	5	0
Priority 3	0	0	0

3.3.19 Health and Safety

Audit opinion	Limited

3.3.20 The overall objective of the audit was to review and provide assurance that the Council's Health and Safety at Work policy and procedures are sound and being monitored.

3.3.21 We identified the lack of an up to date Risk Assessment universe, an out of date Control framework, Policies not subject to regular review, the lack of an effective performance reporting system and out of date information relating to staff members holding a valid first aid certificate, as areas for improvement.

3.3.22 We made one Priority 1, four Priority 2 and one Priority 3 recommendation to improve the framework of controls. These related to refreshing the Control framework to reflect the current structure and evidence strategic and operational links, ensuring resilience outside of the Corporate Safety Advisor's core hours; updating the suite of Health and Safety Policies; developing an effective performance reporting system supported by performance measures

and, ensuring that all published information relating to staff with valid First Aid certificates is up to date.

3.3.23 The Priority 1 recommendation identified that a full suite of comprehensive risk assessments (Risk Assessment Universe) is not held. The Authority is not, therefore, able to demonstrate that it has assessed its Health and Safety risks and has action plans in place to implement controls. Management have confirmed arrangements to prepare and relaunch risk assessment procedures which will be supported by training and a Managers' briefing.

3.3.24 All recommendations have been accepted by management.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	1	1	0
Priority 2	4	4	0
Priority 3	1	1	0

3.3.25 Debtors Income

Audit opinion	Substantial

3.3.26 The overall objective of the audit was to review the key controls around the debtors system and ensure that they are in place and operating effectively.

3.3.27 Controls were in place and working well over policies and procedures being in place and accessible. We also found that invoices, credit notes and debts were actioned in a timely manner and the rationale for credit notes raised and debts written off was evidenced. Reconciliations were undertaken and unapplied and unidentified credits were actioned daily.

3.3.28 We identified that debtor information included on invoices, authorisation of write offs and ensuring adherence to payment plans were areas for improvement.

3.3.29 We made five Priority 2 recommendations to improve the framework of controls. These related to ensuring that the correct information (debtor) is included in invoices, that write offs have been authorised in a timely manner and that unidentified receipt balances are correctly reported. Where breaks in payment plans have been identified, action should be taken to ensure that payment arrangements are being adhered to and, efforts should be made to streamline the workflow reporting system.

3.3.30 All recommendations have been accepted by management.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	5	5	0
Priority 3	0	0	0

3.3.31 Pension Fund

Audit opinion	Substantial

3.3.32 The overall objective of the audit was to review the key controls over the operation of the pension fund.

3.3.33 Controls were in place and working well over the strategy and actuary arrangements for the pension fund and reporting to senior management and Members. Risks were assigned, RAG rated and included on the risk register, with mitigating controls in place.

3.3.34 We made one Priority 2 recommendation to improve controls. This related to the quarterly pension fund revenue account summaries not being evidenced as reviewed by a second officer on completion. It has been accepted by management.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	1	1	0
Priority 3	0	0	0

3.3.35 Business Rates

Audit opinion	Substantial

3.3.36 The overall objective of the audit was to review the key controls around the business rates system and ensure that they are in place and operating effectively.

3.3.37 Controls were in place and working well over policies and procedures being compliant with legislation. We also found that business rate bills had been issued on time with calculations documented and retained. Payments were up-to-date and reliefs had been allocated correctly with supporting documentation retained.

3.3.38 Management information was produced timely and meetings were held to discuss the administering of local business rate relief and any issues arising. Controls over write offs and the complaints process were in place and operating effectively.

3.3.39 We brought to management's attention that a refund was identified where the refund requested and authorised did not match the refund in the Council's business rates system. We also found that one of the sample of arrears tested did not have evidence of a formal recovery letter and a court summons letter being sent.

3.3.40 We made two Priority 2 recommendations to address these issues. Both recommendations have been accepted by management.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	2	2	0
Priority 3	0	0	0

3.3.41 Pension Payments

Audit opinion	Substantial

3.3.42 The overall objective of the audit was to review the key controls over pension payments.

3.3.43 Controls were in place and working well over the checks of 'life certificates' for pensioners living abroad and information prior to the payment of death grants. We also found that controls were operating effectively for quarterly reconciliations of pension payments and checking the criteria for pension refunds.

3.3.44 We made two Priority 2 recommendations and two Priority 3 recommendations to improve controls. These related to a lack of policies and procedures, updating action taken on the task management system and reconciliations which should be carried out between the pension system and the financial information system. We also recommended that in future all pension refunds are made by BACS as opposed to cheques.

3.3.45 All the recommendations have been accepted by management.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	2	2	0
Priority 3	2	2	0

3.3.46 Management of Strategic Property

Audit opinion	Limited

3.3.47 The overall objective of the audit was to review the management of Strategic Property over the performance of the Strategic Property sub-contractor. Controls were reviewed by way of checking supporting documents and sample testing.

3.3.48 Four Priority 1 recommendations were made that related to Verification of Contract Performance to support payments, issues with work commissioned from the Strategic Property sub-contractor which is outside the scope of the contract, key performance indicators and the £1m income generation plan.

Verification of Contract Performance to support payments

3.3.49 A sample of 5 invoices was selected from all payments made to the Total Facilities Management (TFM) contractor in respect of the Strategic Property sub-contractor between October 2016 and March 2018 to ensure validation checks were undertaken before approval for payment. The sample of 5 invoices included 4 monthly contract invoices for the Strategic Property sub-contractor. To validate the payment in full for the sample invoices, the monthly monitoring reports, the tracker of LBB's work schedule and contract monitoring meeting minutes for the sample months were checked. Findings arose in all three areas that challenge the validity of these documents to support payment in full.

3.3.50 It has been recommended that the Management should independently verify the accuracy of the performance information produced by the Contractor and the contract monitoring reports should clearly show evidence of completed work with sufficient details to support payments for all services specified in the contract. Reports presented in dashboard format should be supported by evidence to verify the accuracy of graphical data presented.

Issues with work commissioned from the Strategic Property sub-contractor which is outside the scope of the contract

3.3.51 It was noted that a number of projects were commissioned from the Strategic Property sub-contractor which are outside the scope of the contract. These projects were funded from capital funding of £250K for property disposal/feasibility works. This funding was agreed by the Executive on 24/05/2017 to enable feasibility works to be undertaken on various sites. The Executive was informed by Management that the feasibility work would be undertaken by the Strategic Property sub-contractor, the key subcontractor of the Council's Total Facilities Management Contract, and their fee basis is calculated against the schedule of rates contained within the contract and consequently separate tenders for this work would not be required.

3.3.52 From the review of a sample of 5 projects, it could not be established that the TFM agreed schedule of rates were applied for these projects/feasibility studies. Payments have been made towards 3 of the 5 projects in the sample, for a total of £67,752 and therefore it cannot be confirmed if the Council has secured value for money.

Key performance Indicators (KPIs)

3.3.53 The KPIs in the original contract were deemed to be unworkable by Management and a review of KPIs was started with the contractor in January 2017 which completed in January 2018. New KPIs and a Balanced Scorecard system to calculate the penalties were agreed by the Strategic Partnership Board for implementation from 01/03/2018. The following issues were noted with the review process and adoption of new KPIs and Balanced Scorecard system to calculate the penalties:

- No interim arrangements were put in place for monitoring and application of penalties whilst the original KPIs were under review.
- No penalty has been applied which relate to the management of Strategic Property since the start of the contract in December 2016. Due to poor recording of contract monitoring information it could not be confirmed if satisfactory service has been received and penalties

were not due, or penalties were due, but had not been applied.

- There is no evidence that the management has considered the financial impact of non-delivery of service to LBB to inform the maximum penalties.

£1m income generation plan

3.3.54 On commencement of the contract in October 2016, the Strategic Property sub-contractor was expected to develop and agree with the LBB a £1m Income Generation Strategy and Plan by April 2017 and monitor progress against this plan and report monthly. On enquiry by Internal Audit on the progress of the plan, the Head of Asset and Investment (HAI) advised that another discussion had taken place (that was also not formally documented) between LBB and the Strategic Property sub-contractor where it was further discussed that the savings would not be required to start being realised until April 2018.

3.3.55 Management provided a copy of the Income generation plan as produced by the Strategic Property sub-contractor to Internal Audit. Internal Audit queried the assumptions made or factors that the Strategic Property sub-contractor has taken into account in generating the plan and how have they identified the properties from which they consider the additional income will be achieved. The HAI informed Audit that he does not have any information to substantiate the Income generation plan.

3.3.56 A copy of the first quarterly monitoring report on the progress of the Income Generation Plan as produced by the contractor was reviewed by Internal Audit. As part of the review, Internal Audit discussed the monitoring report with The Senior Accountant ECS Finance to confirm that the increase in income identified in the monitoring report was new Income. The Senior Accountant ECS Finance advised that a number of queries are outstanding on the new income identified by the contractor and they had been chasing the contractor for 4 months for resolution. Due to lack of evidence it could not be confirmed if the Strategic Property sub-contractor has so far managed to grow LBB's net investment income.

3.3.57 We also made three Priority 2 recommendations to improve controls. These related to the procedures not being in place for the confirmation of the actual charges where payments are made on estimates; lack of common debt recovery procedures applicable to both the Exchequer contractor and the Strategic Property sub-contractor; and unavailability of up-to-date information on the rental arrears on commercial properties.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	4	4	0
Priority 2	3	3	0

3.3.58 St Olaves School

Audit opinion	Limited

3.3.59 The overall objective of the audit was to review the 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.

3.3.60 The school was visited on the 3rd and 4th December 2018 to review financial management, governance arrangements, safeguarding assets and probity testing for the primary accounting procedures.

3.3.61 The fourteen recommendations raised in the previous audit report finalised on the 8/2/18 were followed up and progress to implement assessed from interview with officers and testing on recent data. Eight recommendations were found to be fully implemented, four recommendations relating to IR35 assessments, asset register, scheme of delegation and cash flow were partially implemented and two relating to the IT contract and the contract register were outstanding. The school had made significant progress to implement the recommendations raised in the previous audit report and it was acknowledged that the school has been through a period of change; officers, governors, appointments to the Headteacher and SBM posts and an increase of project work and spend, which impacted on the workload of the Finance Team. It was also acknowledged that the school were tasked with implementing the recommendations raised in the independent investigation report and the additional workload generated by that report.

3.3.62 Audit testing this time identified a weakness in the expenditure process, specifically the separation of duties and authorisation controls. Two medium Priority recommendations were raised for the school to review and revise the expenditure process including a requirement to raise awareness of budget holders, SLT and Finance officers as to their role and responsibilities regarding authorisation. A further three medium Priority recommendations were made relating to the scheme of delegation to ensure current working practices are supported; IR35 to ensure the online assessments are signed and dated and for claim forms to be supported by authorised documentation prior to payment. Three Priority 3 recommendations were raised with regard to completing and certifying the asset register, pecuniary interest forms for Governors to be held on site and distribution and timeliness of Finance Committee minutes.

3.3.63 All recommendations have been accepted by management.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	5	5	0
Priority 3	3	3	0

3.3.64 Street Cleansing Contract Management

Audit opinion	Substantial

3.3.65 The objective of the audit was to review the management controls on the performance of the Street Cleansing contract which delivers the day-to-day cleaning operations across the Council's administrative area.

3.3.66 One Priority 1 and two Priority 2 recommendations were made. Whilst there is a Priority 1 recommendation in the report this relates to a historical deficiency. The current management of the contract and the implementation of new contract principles are reflected in the overall assurance opinion.

3.3.67 The Priority 1 recommendation related to payment of invoices without adequate supporting documents. On reviewing a sample of invoices it was found that the prices charged for some elements of the agreed programme of additional work could not be substantiated.

3.3.68 This accounts for expenditure of £23,144 each month, £277,725 per annum that has been processed for payment without supporting documentation. It was noted that some of the programmed additional works have been in place, from the start of the contract. The key elements were discussed and referred to in the contract award report (ES 11123) however they did not provide a breakdown of prices. Management however provided a report from the Confirm database to demonstrate that the prices charged for the programmed additional work over the length of the contract have remained consistent since the start of the contract.

3.3.69 We also made two Priority 2 recommendations to improve controls. These related to the monitoring of the rebate for the extension period and site inspections for additional and ad-hoc work.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	1	1	0
Priority 2	2	2	0

3.3.70 Information Governance and General Data Protection Regulations

Audit opinion	Governance and policies and procedures – **Substantial** Training and awareness and arrangements for the collecting, processing, storing, sharing of data and disposal of IT equipment containing personal data – **Limited**

3.3.71 The overall objective of the audit was to review the key controls put in place at a corporate level over GDPR and Information Governance.

3.3.72 Controls and areas of good practice were in place over the governance arrangements and policies and procedures. Whilst controls have been put in place over awareness and training and for the collecting processing, storing and sharing of data, there are issues within those areas which need to be addressed.

3.3.73 Two of the policies are currently in draft form and need to be finalised. All the policies would benefit from being organised in a hierarchical order on the Council's intranet site.

3.3.74 Information on GDPR and Information Governance is not included in the joining pack sent to new members of staff and controls over the undertaking and monitoring of on-line information governance training require strengthening. Instructions reminding staff of the security arrangements for files containing personal information should be issued. Controls should be put in place to improve arrangements over the storage and disposal of IT equipment.

3.3.75 A regular and formal review of the implementation of the recommendations outstanding from last year's review of GDPR and Information Governance by an external contractor should be undertaken.

3.3.76 We made eight Priority 2 recommendations and one Priority 3 recommendation to address the above issues. All recommendations have been accepted by management.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	8	8	0
Priority 3	1	1	0

3.3.77 Grant funding received for trainee teachers – St Olaves

3.3.78 We carried out a certification check of monies received by St Olaves from the National College of Teaching and Leadership ('NCTL') under its grant funding agreement to assist funding trainee teachers in schools.

3.3.79 Our work involved ensuring that all terms of the Grant Funding Agreement had been complied with. We examined and verified payroll records and payslips for both of the trainee teachers, invoices received and paid by the school for relevant training fees and the income grant received by the school. All relevant entries on the school's financial management system were examined to confirm that they reconciled to the annual certification of expenditure submitted to the Department for Education. This covered the funding period between 1 September 2017 and 31 August 2018.

3.3.80 For current 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 system 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.

3.4 Priority 1 Follow Up

3.4.1 Review of Contract Management – Adult Mental Health – Priority 1 Follow Up

3.4.2 At the previous meeting in November 2018 Members were advised that the Department had made significant progress to implement the five Priority 1 recommendations raised in the audit report finalised in May 2018. The update in November concluded that 1 recommendation relating to roles and responsibilities had been fully implemented; 1 recommendation relating to service agreement reviews was partially implemented and three recommendations relating to the deed of variation, performance monitoring and management reporting remained open.

3.4.3 The Strategic Commissioner responsible for the Mental Health contract provided the update for this committee meeting and the supporting documentation; Dashboard report, meeting minutes and the Performance Management Summary.

Variation to Contract

3.4.4 The Legal Department decided that it would be preferable to retain the original agreement and complete a deed of variation to support the current service delivery.

3.4.5 Both parties have negotiated and agreed the revised terms and conditions of the variation and although there are still certain areas outstanding there are regular meetings and exchanges to keep the task moving forward. The allocated Legal officer has given assurance that the Mental Health agreement will now be prioritised. The anticipated deadline to have the revised S31 Agreement completed is March 2019.

3.4.6 The data sharing document, dated May 2018, has been revised for accuracy and the anticipated deadline for Legal to reissue the document is the end of March.

3.4.7 The recommendation remains open

Performance Measures and Monitoring

3.4.8 Since July 2018 a strategic commissioner within the Programmes Team has been directly managing the Mental Health contract and leading on the development of the revised performance framework for the contract with Oxleas. Both the strategic commissioner and the responsible Head of Service will maintain these responsibilities going forward.

3.4.9 Oxleas commenced the submission of performance data in November 18 prior to the planned monitoring meeting.

3.4.10 Discussion at the monitoring meeting on the 27th November focused on the need for the Council to agree with Oxleas data definitions, availability and capacity for reporting on the dataset. The RIO system is used by Oxleas to case manage clients and this will be the source of their submitted data. Performance data for service agreements is generated from Bromley's case management system, CareFirst.

3.4.11 The Council's Mental Health Board, focused on delivering the recommendations of the Internal Audit report. The draft performance management summary, a comprehensive document that covers all aspects of service delivery has been developed and submitted to the Board. Key indicators will be identified to monitor the contract. The intended outcome of the performance framework is to capture data to show all referrals, assessments and a greater focus on outcomes achieved for service users.

3.4.12 Bromley currently have 290 clients receiving a service for Mental Health, detailed on CareFirst and subject to annual reviews. The Mental Health section of the SALT (Short and Long Term Support) returns submitted by Bromley using data completed by Oxleas, show that there were some 600 clients seen by Oxleas for long term support during 2017/18 and 869 clients

receiving short term support. These 1,469 cases did not require a package of care from Bromley. The Department are looking to monitor performance and service delivery for all cases and will therefore need to consider all referrals and client contact data. The Mental Health Board has set out an expectation that the monthly performance reports will show the agreed data presented and also exceptions; an analysis of performance; narrative of the data and then the action to be taken.

3.4.13 The Department evidenced the minutes for the Section 31 Monitoring Meeting that was well attended by both Oxleas and Bromley officers, chaired by the Director of Adult Social Care. The minutes include progress to issue the revised Section 31 Agreement Review, Performance Management and Financial Monitoring. Monitoring meetings will be monthly. The Mental Health Board met on the 26th November with the Associate Director, Integrated Commissioning, Bromley CCG attending. Board meetings are planned to be monthly.

3.4.14 The recommendation remains open.

Service Agreement Reviews

3.4.15 The previous update showed this recommendation to be partially implemented. This would have been fully implemented but for the new clients that should be reviewed within 3 months but no provision had been made on the Dashboard report to capture this data. The Performance Team Manager has now evidenced that new clients are shown separately on the Dashboard report.

3.4.16 As at 25/1/19 there were no overdue reviews for new clients and there was just one client overdue by 2 days for the 12 month review.

3.4.17 Given the Department have now resolved the issue to identify and monitor the reviews for new clients this recommendation is now fully implemented.

Management Reporting

3.4.18 As with performance monitoring, the management reports will be formalised and agreed within the S31 variation. The frequency and format should be specified in the agreement any changes to the original contract will need to be addressed in the deed of variation. As reported above, the Mental Health Board was developed as a forum to receive and consider management reports.

3.4.19 The recommendation remains open.

3.4.20 The Department had set a target date of December 2018 to issue the new agreement, formally adopt the monitoring framework for performance management and schedule the receipt of quarterly and annual management reports. Due to the complexity of some of these tasks and the need to work through detailed definitions of KPIs with the provider, the deadline is now set as March 2019. Although the progress to agree a performance framework, presentation of data is ongoing, the three Priority 1 recommendations relating to the deed of variation, performance monitoring and management reporting will remain open but it is anticipated that the recommendations will be fully implemented by the end of March and therefore by the next committee meeting in June.

3.4.21 Review of Home Tuition – Priority 1 Follow Up

3.4.22 At the previous meeting Members were informed that 5 priority 1 recommendations had been raised for the Home Tuition Service. The findings related to the core panel decisions, outcome letter and review; the database to support the Home Tuition service; payment to agency tutors specifically completion and checking of timesheets; completion of daily attendance records

submitted to support service delivery and lastly the use of the procurement system to engage agency tutors for the service.

3.4.23 As previously acknowledged the Home Tuition Team were fully engaged with the audit process and developed an improvement plan based on the audit recommendations. This improvement plan has allowed management to monitor progress to implement and records quality assurance testing undertaken on key areas.

3.4.24 Given the relatively short timeframe for reporting to this Committee there has been insufficient time for the new procedures and working practices to be embedded and tested. However the interviews and limited testing carried out evidenced that the priority 1's relating to the database and the agency timesheets have been completed and are closed. A summary of progress for each recommendation is as follows:-

Core Panel Decisions

3.4.25 Management confirmed that the operation of the Core Panel (Gateway) had been reviewed and significant changes implemented, reflected in the revised Terms of Reference. The Gateway Panel meetings are held fortnightly, with all referrals and allocations subject to review. Multi-agency representation ensures that all children are identified and leads to successful cross divisional working. The Panel is chaired by the Head of Service and all decisions supported by a signed outcome letter detailing the allocated hours and required outcome. The panel administrator post is currently vacant but with an active recruitment process.

3.4.26 Management have identified that this is an ongoing area of improvement and have set a target of 2 successful quality assurance checks for consecutive terms to evidence implementation of the recommendation to be verified by Audit for the next Committee.

Database

3.4.27 The original management comments agreed the recommended enhancements to the database and testing this time evidence that these have been implemented. The team are satisfied that the database now meets their needs to support operation. The Division have extended this recommendation and propose to transfer data to the Capita One system in line with Early Years and SEN. The initial meeting with the Corporate Business Systems Manager (BT) on the 29th January was positive; the Lead Teacher (H/T) could see how the migration to Capita One would streamline processes and management reporting. The HT team have now been given access to Capita One to test the system and develop the options they would create to support their service. The Head of Service has allocated resources to upload the data with a target date to be completed by the end of February 2019.

3.4.28 This recommendation is considered closed.

Agency Staff

3.4.29 The team have developed procedures for receiving, checking and recording timesheets for all tutors including agency staff. Procedure notes setting out the requirement to complete timesheets, specifically the need for a parent/carer signature to evidence time delivered have been developed. Tutors at the Link are now required to sign an attendance record. These procedures have been in place since September 2018 and reinforced at the training session for tutors in October. Temporary changes are discussed at the weekly team meeting and any known changes recorded on the child's "live log", a record accessible to all the Team.

3.4.30 A sample of 5 agency tutors, submitting timesheets in November 2018, was randomly selected for audit testing. All timesheets were arithmetically correct and agreed to the actual hours on the database for 4/5 cases. For the one case where there was variation, the Lead Teacher

confirmed that the additional hours had been agreed by Panel and the database needed to be updated. Four of the 5 timesheets had been signed by the parent/carer.

3.4.31 This recommendation is considered closed.

Attendance Registers

3.4.32 As with timesheets the Team have reviewed and reissued the procedure to complete and return attendance registers. These procedures were e-mailed to all tutors in September 2018 and reinforced by the training session in October.

3.4.33 For week ending 7/12/18, 2 of the 5 tutors sampled had not returned the attendance register. The team are addressing this issue directly with individual tutors and evidenced a successful response for week ending 1/2/19.

Procurement and the use of one supplier (supplier A)

3.4.34 Management are currently reviewing the proprietary procurement system and potentially, alternative provision once the contract expires with the current provider in March 2020.

3.4.35 At the time of the original audit it was anticipated that there would be less reliance on agency tutors. The service are working on a business plan to deliver Home Tuition using LBB tutors and considering options for the two agency tutors working at the Link. The service accountant has provided financial support to cost out the options but given the agency adds a 14% commission there may be value for money achieved in changing the structure and provision of tutors.

3.4.36 Although the business plan was working towards reducing the use of agency tutors there has been an increase in active caseload since December 2018 and the Lead Teacher has had need to procure additional resources.

3.4.37 The Lead Teacher and Finance Officer have identified the correct expenditure code for all service requirements but as yet have not formally declared the changes to the proprietary procurement system provider to action the updates in the system. The service account is completing this task manually each week. A recharge to SEN will be actioned at year end. The Lead Teacher confirmed that she is now monitoring the hourly rate for each engagement and checking the weekly spend for each tutor to identify and challenge weekly values over expected. Similarly any changes to agreed hourly rate will be challenged with the agency and any annual uplift to be evidenced in writing.

3.4.38 The original audit identified training needs for the team to utilise the information available on the proprietary procurement system and to exercise a satisfactory level of checking and control. At the time of this follow up the training was still to be arranged with Procurement.

3.4.39 The follow up review for this Committee has confirmed a significant improvement to the process controls as the Team have developed financial and administrative procedures to support the service, addressing the issues raised by Internal Audit. The improvement plan and quality assurance testing undertaken by the Head of Service evidences a commitment to implement the recommendations that will be fully tested for the next Committee in June.

3.4.40 Review of Reablement – Priority 1 Follow Up

3.4.41 The Reablement Services help people adapt to a recent illness or disability by learning or relearning the skills necessary for independent daily living at home. Reablement Services may be offered to someone who has recently come out of hospital. Reablement should be provided free of charge by the local authority for up to six weeks. Reablement is one of councils' main tools in managing the costs of an ageing population and is important as Authorities face cuts in

government funding. Since the Care Act 2014, there is more of a responsibility for prevention and to enable people to remain independent.

3.4.42 In March 2017 we reported on two Priority 1 findings on the service with the findings split between the Reablement Team and the Reablement Assessment Team. Internal Audit brought the following to management's attention:-

Reablement Team

3.4.43 The Priority 1 recommendation related to the reablement performance data. During the following up testing was undertaken and satisfactory explanations were provided for the variances queried. Information was readily available to confirm why the variances had occurred. This priority one has now been implemented.

Reablement Assessment Team

3.4.44 The other Priority 1 recommendation related to the use of the Outcome Measurement Tool (OMT). Management confirmed to the Auditor that the OMT is not needed for any data for returns or financial targets. The Head of Service confirmed that the OMT will not continue to be used and staff will be advised of this with immediate effect. Therefore, this is no longer applicable.

3.4.45 Review of Leaving Care – Priority 1 Follow Up

3.4.46 This report was finalised in October 2018 and reported to Members in November 2018.

3.4.47 Six Priority 1 findings were made within the report that related to:-

- Documentation to support payments to service users.
- Pathway Plans
- Individual Service Record
- Grant Sheet
- Reconciliation to Oracle – T accounts.
- Staying Put Allowances.

Documentation to support payments to service users.

3.4.48 Issues arose in six cases concerning the supporting documentation and substantiating the payments currently being paid and management were asked to review them.

3.4.49 Management confirmed that this recommendation had been implemented and have reviewed these individual cases.

3.4.50 Management confirmed that ‘Historical service level agreements have been reviewed and data cleansed. A number of the findings are related to historical cases’.

3.4.51 ‘All current funding requests and service agreements are signed off by the Head of Service and the Group Manager’.

3.4.52 The review of service agreements and funding requests has been completed’.

Pathway Plans

3.4.53 Issues arose with Pathway Plans for 12 cases in relation the pathway plans not being reviewed every 6 months as expected.

3.4.54 Management confirmed that this recommendation had been implemented and in January 2019 that ‘the majority of pathway plans are completed within the 6 month timescale. For those young people, who have a pathway plan exceeding 6 months, managers are aware of the

reasons and exceptions are agreed by the Head of Service'.

Individual Service Record

3.4.55 Payment records were reviewed and were found not to be up to date and complete. These related to the Setting up Home Allowance (SUHA), travel reimbursement, clothing allowances food vouchers and sundry items.

3.4.56 Management confirmed that this recommendation remains as outstanding.
'A comprehensive record of all payments is currently not in place'.

3.4.57 Accurately maintaining service user records is currently dependant on one finance officer manually inputting all finances onto a spreadsheet held on a young person's case record. This does not allow flexibility in the system for annual leave, sickness and workload fluctuations.

3.4.58 Improvements in this area is heavily reliant on the procurement of system that supports improved financial management. The procurement of this system is not within the remit of the service and completion of this recommendation is reliant on a suitable system being in place'.

3.4.59 As a risk management measure, the Head of Service (HOS) agreed for managers to review the current finance records for young people, Team Managers have not been able to review the current financial records of all young people yet'.

3.4.60 Interim corrective action taken within the service: HOS has dip sampled a selection of Payments and Grants records and in the majority of cases they were up to date with information related to Grants.

3.4.61 This record however does not account for discretionary payments based on the young person's needs. This record also does not take into consideration any payments made via service level agreements in Carefirst.

Grant Sheet

3.4.62 It was found that when reconciling the grant sheet to the finance records, issues arose in seventeen of the cases sampled for testing.

3.4.63 Management confirmed that this recommendation remains as outstanding. 'The payments and Grants Record is an Excel spreadsheet stored in Carestore. This is the same document referenced in the recommendation above. This is manually updated by the Finance Monitoring Officer for Leaving Care.

3.4.64 The following grants are tracked on the Spreadsheet:

- Setting up home allowance.
- Clothing allowance
- University grant.

Spending against grants is updated by the finance officer (at least weekly).

3.4.65 There are currently 211 care leavers eligible for various levels of service and funding. Given the numbers and resources available a full review of all service users has not been possible.

3.4.66 The dip sample undertaken by the HOS – indicates that Grants are tracked and updated'

Reconciliation to T Accounts

3.4.67 A FBM report was run of all transactions under accounting code 807***4076 for 2017-18. It was found that for 3 samples Setting Up Home Allowances (SUHA) transactions appeared on the finance records but not on the grant record and were unallocated to the individual T

account. Other transactions on the FBM report remained unallocated that went back to 31/7/17.

3.4.68 Management confirmed that this recommendation had been implemented.

3.4.69 'The LCT finance officer completes the monthly reconciliations of cash and APS to T accounts.

3.4.70 Payments made through Carefirst are not allocated to T codes. This is a system issue'.

Staying Put Allowances

3.4.71 Staying Put allowances are included within the agreed Fostering Allowances. In May 2016, a report went to the Executive Committee to approve a change whereby rates were to be brought in line with the DFE rates. It was confirmed by officers that this was to be from December 2017. The Auditor was informed that the Staying Put Rates were linked to the Fostering rates.

3.4.72 It was found that the Staying Put rates had not been subject to any uplift for 2017/18 and 2018/19.

3.4.73 Management confirmed that this recommendation has been implemented.

3.4.74 Management advised 'There are currently 23 Staying put arrangements. All carers are currently receiving payments above the DFE recommendations. The Payment structure for Staying Put arrangements were previously agreed by council members. Any changes to these arrangements would need to be reviewed by Scrutiny. The LC Service are currently not recommending any changes to payments at this time.'

3.4.75 Out of the six Priority 1 recommendations made, 4 have been implemented and 2 remain outstanding.

3.4.76 Review of Direct Payments – Priority 1 Follow Up

3.4.77 Four Priority 1 findings were made within the Direct Payment Report which was finalised in September 2018. This was reported to Members in November 2018.

3.4.78 There were four significant findings relating to DP5 documentation, direct payment terms and conditions, payments and ownership of documents for update & review including appointed person form. These have all since been addressed.

Direct Payment Terms and Conditions not met

3.4.79 Out of the three cases, two cases have been addressed and there is no money owing. The last case is no longer relevant as the parents do not live at the same address and their cared for sons live at different addresses.

Payments

3.4.80 Management confirmed that two of the cases have since been completed and no overpayment is to be reclaimed. For the third case, this is no longer applicable.

DP5 Documentation

3.4.81 Management advised that there were 16 of the 20 DP5's located in archive documents. The remaining 4 that could not be located have been reissued and scanned into Carestore and is completed in January 2019.

3.4.82 The Process for storage of DP5 has been reviewed and the Policy and Procedure has been updated. This has been circulated and is accessible to all staff on one Bromley.

3.4.83 All other cases with the exception of one case are available, which will be updated week commencing 11/2/19. The Policy and Procedures for storage have been updated and all staff know where the DP5/5a documents must be stored. The risk has been addressed.

Ownership of Documents For Update & Review Including Appointed Person Form

3.4.84 Management advised that the new Policy and Procedures for Direct Payments, which includes the authorised and nominated person, have been signed off and are on one Bromley. All staff have been informed of the new procedures and training was delivered to representatives of each team as a train the trainer approach. Each Rep then trained their colleagues during an additional team meeting. There is formal training being developed and this will be provided in the new business year. The owner of the documentation is the Director ASC and will be completed in January 2019.

3.4.85 All outstanding Priority 1 recommendations have now been implemented.

3.4.86 Review of St Olaves School – Priority 1 Follow Up

3.4.87 Members were previously informed that the Priority 1 related to the procurement of IT services at the school. The newly appointed School Business Manager (SBM) had been tasked with reviewing the current IT arrangements and undertake the procurement exercise to retender the contract when it expires in August 2019.

3.4.88 The school commissioned work from BT to document the current IT provision and draft a specification for retendering. The initial site visit was undertaken in July 2018 but the reports were not received until January 2019. This delay has impacted on the schools progress to implement.

3.4.89 In an e-mail dated 18th January the SBM set out intentions to meet with relevant members of staff and senior leadership team to discuss options and then proceed with a tendering exercise to secure ICT support.

3.4.90 The planned audit at the school in December 2018 confirmed a continued improvement in financial management and a good understanding of the requirements of procurement within the framework of Financial Regulations; two tendered contracts checked during the site visit were satisfactorily completed.

3.4.91 The original Priority 1 recommendation related to non-compliance to EU tendering regulations. The work done to date on the IT retendering and the schools approach to procurement since April 2018 supports the satisfactory implementation of this P1 recommendation.

3.4.92 Review of Family Placements – Priority 1 Follow Up

3.4 93 At the previous meeting Members were informed that a Priority 1 recommendation had been raised in the review of Family Placements. The audit had identified that the payment of Child Arrangement Orders (CAO) and Connected Person (CP) allowances did not agree to the current DfE published rates. The payments evidenced were the 2016/17 rates that had not been uplifted for 2017/18. An external agency had identified the underpayment in December 2017 but problems changing the payment structure in CareFirst protracted and delayed the uplift. The 2017/18 rates were changed in July 2018 to generate backdated payments to carers and then uplifted again in August 2018 for the 2018/19 rates that should have been paid from 1st April 2018.

3.4.94 The 2019/20 DfE rates are not presently available but the Head of Service and Finance Officer both confirmed that the CareFirst help desk will be requested to uplift the new rates at the

earliest opportunity to ensure that the new rates are paid to carers at the start of the financial year.

3.4.95 A sample of 5 CAO and 5 CP cases paid in January 2019 were satisfactorily checked to the 2018/19 DfE weekly allowances. Where appropriate the supporting means test for the CAO was verified. The audit testing did identify that of the 8 children detailed on the CAO report, generated from CareFirst, 4 children had returned home, the classification will be updated accordingly.

3.4.96 This recommendation has been satisfactorily implemented.

3.4.97 Review of Agency Staff – Priority 1 Follow Up

3.4.98 Directors to review 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.

3.4.99 At the last Audit Sub-Committee meeting in November 2018, in response to questions from Members, we reported that this had not been implemented at that time and would be kept under review. As at 16 January 2019, we have identified 195 agency staff who have been engaged for longer than 6 months. This includes 18 agency staff who have been engaged for longer than 3 years.

3.4.100 We have asked HR to provide both the business case made by the Directorate to continue to engage these 18 staff and evidence of the HR Directorate's approval. HR are currently gathering this information . We have been told by HR that 'Where the placement is in CSC or ASC we have a recognised shortage of Qualified staff and we are making every effort to reduce our reliance on agency workers but this is difficult given that there is a national shortage. The use of agency staff is therefore outside of the 6 month time limit but is regularly monitored as part of the data that goes to the R&R Board every 2 months as well as the CSIGB.'

3.4.101 We consider that this recommendation has not been implemented and an update will be provided at the meeting.

3.4.102 Review of Waivers – Priority 1 Follow Up

3.4.103 Both Priority 1 recommendations are being progressed through the ongoing development of the Corporate Contracts Database and associated guidance and procedures that have been put in place.

3.4.104 The Contracts Database is currently in User Acceptance Testing (UAT) for the functionality of an electronic authorisation process for all relevant contract actions, including extensions, exemptions and variations. Subject to UAT, the functionality will be rolled out hopefully in the coming months.

3.4.105 The electronic authorisations 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. Training will be provided to Contract Owners to facilitate a clear understanding of the process. However, it is to be noted that the authorisations process, including guidance and standard templates, is already in place and embedded via the manual system on the Council's Toolkit.

3.4.106 The recommendations are therefore in progress but remain open.

3.4.107 Review of Creditors – Supplier set up form – Priority 1 Follow Up

3.4.108 The Priority 1 recommendation relating to the authorisation of the form to set up suppliers to the creditors master file is being progressed and will be addressed as part of the audit of creditors which is due to take place in the near future.

3.4.109 The form has been re-designed to include the necessary authorisation. We are, however, seeking confirmation from our audit contractor, who audits this area at other local authorities that our set up form and associated procedure meets with best practice adopted elsewhere.

3.4.110 The recommendation is therefore in progress but remains open.

3.4.111 Review of Children with Disabilities – Priority 1 Follow Up

3.4.112 It was reported in November 2018 that through testing we identified in our sample that a service user is currently in a residential boarding school placement from 11/9/17 at a cost of £3,072.85 per week and is a split funded between children's social care and SEN. It was confirmed that the service user has been attending 2 of the 4 nights per week from October 2017 that are being funded and as a result we continue to fund for 4 nights.

3.4.113 The Director of Social Care confirmed that she had 'reviewed and the circumstances surrounding this are not straightforward and there is rationale as to why the child attends as they do'.

3.4.114 Therefore, this priority one is now closed.

3.5 We also carried out the following:

- Planned audit work with the focus on completion of the 2018/19 Internal Audit Plan.
- Fraud and investigations – the results of which are reported in Part 2 of this agenda.
- Preparation of the Draft Internal Audit Plan for 2019/20.
- 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. Preparation of the new Contract to start 1 April 2019.
- Committee work including preparation of Risk Management papers for Executive, Resources and Contracts PDS and attendance at the Standards Committee.
- Internal Liaison with the Corporate Leadership Team/Directors' Group; Directorate Management Teams and Corporate Risk Management Group.
- External liaison with the various London Audit Groups, the Kent Audit Group and our External Auditors

3.6 Update to the Anti-Fraud & Corruption Policy, Raising Concerns (Whistle-blowing policy), Anti-Bribery Policy and Procedures, Money Laundering Protocol (Anti-Money Laundering Policy) Appendix C

3.6.1 In November 2018 the Council's Anti-Fraud & Corruption Policy was scheduled for review. That was carried out and an update to it and its appendices namely the Fraud Protocol, Raising Concerns (Whistle-blowing policy), Anti-Bribery Policy and Procedures, Money Laundering Protocol (Anti-Money Laundering Policy) are attached as Appendix A, B, and C respectively to the main policy. The changes are minor in nature including job titles, replacing the reference to the annual Protecting the Public Purse report which is no longer produced with CIPFA's Counter Fraud Tracker and reflecting the change of name and contact details for the independent advice Charity "Public Concern at Work" to "Protect". It has also been changed on a regular basis to reflect changes of job holders. With respect to the Money Laundering Protocol (Anti-Money Laundering Policy) this has been redrafted to clarify procedures and reflect the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) which came into force on 26 June 2017. They implement the EU's 4th Directive on Money Laundering. In doing so, they replace the Money Laundering Regulations 2007 (MLR 2007) and the Transfer of Funds (Information on the Payer) Regulations 2007 which were previously in force. Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2017, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accountancy (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements. Money laundering is the term used for a number of offences involving the proceeds of crime or terrorism funds. The following acts constitute the act of money laundering:

- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the Proceeds of Crime Act 2002);

- entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328); or

- acquiring, using or possessing criminal property (section 329).

3.6.2 These are the primary money laundering offences, and are thus prohibited acts under the legislation. There are also two secondary offences: failure to disclose any of the three primary offences, and tipping off. Tipping off is where someone informs a person or people who are, or who are suspected of being involved in money laundering, in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation. While the risk to the Council of contravening the legislation is low, it is important that all employees are familiar with their responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer the Head of Audit. The purpose of the Policy is to prevent, wherever possible, the Council and its staff being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases of money laundering. The revised policy lowers the level at which the Council will accept payments in cash from £10,000 to £5,000. Subject to endorsement from this committee Internal Audit will re-raise awareness of these policies with Managers and Staff.

3.7 Publication of Internal Audit Reports

3.7.1 Since the last cycle of this Committee we have published a further 13 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
Housing Register	Substantial
Parking Income	Limited
Health and Safety	Limited
Debtors Income	Substantial
Pension Fund	Substantial
Business Rates	Substantial
Pension Payments	Substantial
Management of Strategic Property	Limited
St Olaves School	Limited
Street Cleansing	Substantial
Information Governance and GDPR – Policies and Procedures – Operational Data Matters	Substantial Limited
Waste 2016/17	Limited
Waste follow up 2017/18	N/A

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

The content of this report will have implications for both adults and children in respect of audits that will be undertaken in both Children's and Adult Social Care.

5. POLICY IMPLICATIONS

None

6. FINANCIAL IMPLICATIONS

Some of the findings identified in the audit reports will have financial implications.

7. PERSONNEL IMPLICATIONS

7.1 Staff in breach of financial rules or procedures or acting inappropriately against the Council's legal and financial interests may be subject to disciplinary or/and criminal investigation.

8. LEGAL IMPLICATIONS

8.1 Under Section 1 of the Local Government Act 1972, the authority is required to make proper arrangements in respect of the administration of its financial affairs.

8.2 The provisions of the Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective Internal Audit function.

9. PROCUREMENT IMPLICATIONS

The contents of this report include planned audits that will have implication for procurement relating to contract procedure rules, financial regulations and Value for Money issues.

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