

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Tuesday 4 June 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)

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 Audit Activity
 - 3.2.1 Priority 1 Recommendations
 - 3.2.2 Audit Report Summaries
- 3.4 Publication of Internal Audit Reports
- 3.5 Risk Management
- 3.6 Waivers

2. **RECOMMENDATIONS**

- 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) **Note the latest position on the Council's Departmental and Corporate Risk Registers**
- d) **Note the list of waivers sought since November 2018**

Impact on Vulnerable Adults and Children

1. Summary of Impact: None
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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 and Assurance
 4. Total current budget for this head: £535k including Internal and External Audit, Fraud Partnership, Insurance Management and Claims handling
 5. Source of funding: General Fund, Admin Penalties, Legal cost recoveries
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Personnel

1. Number of staff (current and additional): 7.5 including 1 FTE Insurance and Risk Manager
 2. If from existing staff resources, number of staff hours: 2018/19 – 900 audit days are proposed to be spent on the audit plan, fraud and investigations – excludes RB Greenwich time.
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Legal

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

1. Summary of Procurement Implications: Some planned audits 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 26th February 2019 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 Audit Activity (Key Findings)

3.2.1 The latest list of outstanding Priority 1 recommendations is shown at Appendix A. 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.

3.2.2 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.

3.2.3 Financial Strategy and Budget Compliance

Audit opinion	Substantial
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3.2.4 The overall objective of the audit was to review the key controls around the Council's financial strategy and budget monitoring arrangements.

3.2.5 Controls noted to be in place and working well included setting out the roles and responsibilities of officers involved, the balancing and approval by Full Council of the 2019/20 budget and the production of a four year medium term financial plan.

3.2.6 Those budgets with severe pressures are being monitored on a bi-monthly basis and the Council has recognised the need to critically review services, putting in place a transformation programme. Although reserves have not yet been required to fill budget gaps, general fund reserves of £20m have been set up.

3.2.7 We have made three Priority 2 recommendations to improve the framework of controls. These relate to providing more detail in the budget timetable on the information required to support any savings identified and appropriate calculations and assumptions to enable those savings to be checked and appropriately monitored. We have also recommended that the achievement of the identified savings should be monitored on a quarterly basis.

3.2.8 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	3	3	0
Priority 3	0	0	0

3.2.9 Housing Benefit and Council Tax Reduction Scheme

Audit opinion	Substantial
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- 3.2.10 The overall objective of the audit was to review the key controls around the Housing Benefit and Council Tax Reduction Scheme.
- 3.2.11 Controls noted to be in place and working well included the assessment and checking of eligibility for all new housing benefit applications and discretionary housing payments.
- 3.2.12 Separation of duties is in place for the monthly reconciliation of housing benefit, with a report run weekly to identify unreconciled items. There is an overpayment recovery system in place and self-employed claimants are reviewed every 12 months to identify a change in circumstances.
- 3.2.13 Both eligible and ineligible council tax reduction support claimants are notified via letter, once a decision has been made on their claim. Our testing confirmed that the entitlement amount stated in the letter matched the payment made on the council tax system for the sample of claimants tested.
- 3.2.14 We have made two recommendations to improve controls. These relate to the Council not complying with the DWP's three month appeal decision timeframe in one case from our sample tested and not carrying out reconciliations of the Housing Accommodation Charges in a timely manner.
- 3.2.15 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	1	1	0
Priority 3	1	1	0

3.2.16 Arboricultural Services – New Priority 1 recommendations

Audit opinion	Limited
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- 3.2.17 The objective of the audit was to review the governance and management of the Arboricultural Services contract to ensure controls were satisfactory and mitigate risk.
- 3.2.18 The Arboricultural Team delivers a statutory service of surveys and maintenance for the Councils tree stock in streets, parks and woodlands. The Bromley team undertake the 3 yearly surveys and respond to referrals from the public referring work to the contractor via the Confirm system. The Arboricultural maintenance contract was awarded to the contractor in 2008 for an initial period of 9 years but extended to March 2019 by Deed of Variation signed in September 2017. Given the current contract ended in March 2019 and a new contractor

would be delivering the service, the audit sought to highlight areas of weakness to be addressed to improve management and monitoring for the new contract effective from April 2019.

3.2.19 It was acknowledged that the audit had been undertaken at a period of change for the service. The Arboricultural Service Manager left the Authority in August 2018 requiring the arboricultural officer to cover the role in the interim as the service manager (ISM). This reduced the in-house team responsible for surveying and monitoring from 4 officers to 3 and as at January 2019 there were further vacancies as two arboricultural officers have left the Authority. The ISM worked with the project team to execute the exit plan whilst working on the new contract starting in April 2019.

3.2.20 Four Priority 1 and six Priority 2 recommendations were made. A pre-draft report was issued to management before general distribution to allow the team to address any findings relating to the outgoing contractor.

3.2.21 The four Priority 1 recommendations can be summarised as follows:-

Payment Process

3.2.22 Unlike other contracts held by the Department, the payment process remained with the Arboriculture Team. The audit review and testing identified that the payment process was weak, the main issues arising:-

- Inadequate separation of duties
- Inadequate information detailed on the invoice to cross reference to the Confirm payment certificate
- Invoices were processed without the relevant payment certificate scanned and attached
- Unclear how default penalties would be shown on the invoice as none had been processed during 2018/19
- Invoiced jobs that had a rate above the schedule of rates would be examined by the ISM. Negotiation and resolution was held in the ISM Outlook folders rather than the standard "re-measurement" template adopted by other Confirm users
- Monthly payments were authorised and processed before inspection of work completed as part of contract monitoring
- Inadequate audit trail to support the changes between the payment certificate submitted by the contractor and the invoice processed for payment
- Since September 2018, expenditure was allocated to the main code "Tree Planting and Maintenance" rather than the various expenditure and project codes

3.2.23 During the course of the audit, discussions with management indicated that payment responsibilities for Arboriculture would be transferred to the Performance and Business Support Team for the start of the new contract in April 2019.

Open Orders and Confirm

3.2.24 During the review of budget monitoring a significant number of open orders were identified on Confirm; allocated jobs that were shown as not completed by the contractor or submitted for payment. A Confirm report generated by IT support showed that as at January 2019 there were 1,238 outstanding jobs between 1/4/17 and 3/1/19 with a total value of £185,880.

3.2.25 The primary concern was that these open orders either represented poor performance where allocated jobs had not been undertaken, poor housekeeping whereby cancelled jobs had not been deleted or a Confirm system problem. At a meeting with the IT support, ISM and Internal Audit it was established that there were issues with cancelled jobs not being removed from the system and 3 payment certificates that had not been committed and cleared. Further testing showed that two of these payment certificates had been processed

but the system was showing the jobs as open and the certificate not committed. It was agreed that the IT support would undertake to resolve the system anomalies identified in Confirm and the ISM tasked to reconcile Confirm payment certificates with ORACLE transactions. Internal Audit and the service accountant assisted with the reconciliation for the last two financial years, 2017/18 and 2018/19. This reconciliation identified that the two payment certificates, showing as uncommitted on Confirm and effectively open orders, had been paid but the inadequate information shown on the invoice and the lack of supporting documentation attached to the invoice hindered the reconciliation.

3.2.26 When the report was finalised in April 2019, management confirmed that the ISM was still working with Confirm IT Support to resolve system errors and clear outstanding open orders from the system.

3.2.27 The number, value and elapsed time of these open orders represents poor contract management by the client team but Internal Audit acknowledges that this situation had been hampered by the departure of the previous Service Manager and inadequate handover to the ISM.

Monitoring the contract

3.2.28 The monthly invoice is paid without inspections on completed work, monitoring is undertaken in arrears.

3.2.29 The agreed performance monitoring was to inspect the ten highest value jobs each month (allocated to the ISM) and then 10% of all other jobs but to include all felled trees. The inspections were allocated to arboricultural officers according to geographical area. Monitoring should be completed within 3 weeks of receiving the calendar alert on the team site with defaults and rectifications to be shown on the monitoring spreadsheet. The responsibility to coordinate and collate defaults had been assigned to one officer but this task has not been completed.

3.2.30 For 2018, 6 monitoring spreadsheets were available for audit testing, the main issues arising:-

- The spreadsheet had not been updated to show inspected jobs that had not been completed and therefore a default or rectification to be issued.
- There was no trail to show that 61 uncompleted jobs had been referred for further action. The value of defaults that should have applied was £3,050, the value of the work was £6,357.86.
- Payment Certificate 320 to 322 had 926 jobs of which 495 were selected for monitoring. As at 13/2/19, 43 jobs were shown as inspected and completed but 452 jobs not inspected or no record of being inspected.
- Payment certificate 315 to 319 had 42 jobs allocated for inspection, no evidence that the work was checked.
- The expectation to check the highest 10 jobs was not achieved and included emergency call outs that is considered as a separate KPI; 5/10 jobs checked in this category were for ad hoc work.

3.2.31 The expected level of monitoring is high and when compounded with resources issues (vacant posts and interim management responsibilities for one of the arboriculture officers) not achievable. It is acknowledged that this team have experienced significant resource issues during 2018/19. This coincided with the award of the new contract and the termination of the contract with the incumbent contractor. These factors had an impact on performance monitoring with the team prioritising tree surveys as the health and safety of the public is a significant risk.

Defaults

- 3.2.32 Section 9 of the contract sets out the Default Procedure, the penalty cost for an instant default is £50, rectification notices would be charged at £10 plus a further £10 if remedial work was not satisfactorily evidenced. The fees cited during the audit are the original charges detailed in the contract and relevant to 2008/09. Section 5 of the contract allows for an annual review of the schedule of rates with section 5.6 specifying rectifications and defaults to be increased by RPI. There was no evidence that this had been addressed during the ten years term of the contract.
- 3.2.33 At the start of audit testing in November 2018 the ISM was concerned that no defaults had been processed. Information available on the team site confirms that the last default notice issued to the contractor was 1/12/17. A review of invoices for work completed since January 2018 confirmed that there was no deduction or reference to default penalty charges.
- 3.2.34 Defaults are a standing item on the contract monitoring meetings. Minutes reviewed from April to October 2018 vary in the recording of defaults and indicated that for August and September “all defaults and rectification work has been completed”. Information stated in the minutes conflicts with other information gathered during the audit.
- 3.2.35 The audit check on performance monitoring identified that 61 jobs were shown on the monitoring reports as not completed and therefore a default should have been issued. As the work is inspected after the invoice has been paid, the value of the jobs (£6357.86), deemed to be defaults, should be recovered.
- 3.2.36 Management accepted the finding and agreed to apply all defaults to the final payment and the invoice due for March 2019.
- 3.2.37 The 6 Priority 2 recommendations related to the need for scanned contract documents to be complete; rationalising the two team sites and conforming to ECS standard format; revision and completion of procedure notes; completion of the agreed ECS contract monitoring framework, improve the contract monitoring minutes to be representative of discussion and cross referenced to information presented and lastly to identify and meet training needs of key staff.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	4	4	0
Priority 2	6	6	0

3.2.38 Residential Care

Audit opinion	Substantial
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- 3.2.39 The overall objective of the audit was to review controls in place to assess service users, the eligibility criteria and the review process.
- 3.2.40 We have made two Priority 2 recommendations relating to the weekly fee for residential care and the emergency placements procedure.

- 3.2.41 As evidenced with the nursing home placements, negotiations with the provider to agree the weekly fee may be verbal and had not been documented. The breakdown of additional costs required by the provider when the weekly fee exceeds the ceiling rates should be available. Management agreed the audit recommendation and confirmed that a new form had been implemented at the end of 2018 to capture this information.
- 3.2.42 The emergency placements procedures needed to be dated and a review date stipulated. Emergency placements should be regularly monitored and this was supported by a monthly BOXI report generated from CareFirst. Audit testing identified that data had been incorrectly classified as emergency placements but this issue has since been addressed.
- 3.2.43 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	0	0	0

3.2.44 Strategic Commissioning

Audit opinion	Substantial
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- 3.2.45 The overall objective of the audit was to review the 3 lines of defence and existing controls in place to mitigate risk of failure to deliver target operating model as commissioning organisation.
- 3.2.46 Controls noted to be in place and working well, included:-
Guidance notes and templates were available to all staff to support them through the Commissioning and Procurement process. Practice notes continue to be issued to all contract owners, approvers and associated staff reinforcing Contract Procedure rules and reiterating requirements.
- 3.2.47 We have made one Priority 2 recommendation to improve the framework of controls. This related to ensuring that all officers identified through their role as a commissioner of services as being required to complete the mandatory Commissioning and Contracts training, attend all modules.
- 3.2.48 The recommendation 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

3.2.49 Total Facilities Management

Audit opinion	Limited
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- 3.2.50 The overall objective of the audit was to review the key controls around the management of the Total Facilities Management contract.
- 3.2.51 Controls noted to be in place and working well included the availability of key contractual documents and the existence of the Service Operations Board and the Strategic Partnership Board. Reporting arrangements for the contract are documented with monthly reports provided by the contractor and performance issues are discussed where necessary and penalties imposed. Budget monitoring takes place regularly and any issues identified are dealt with appropriately.
- 3.2.52 Eleven recommendations have been made to improve controls. These relate to reviewing the roles and responsibilities of the Service Operations Board and the Strategic Partnership Board each year, together with the timeliness of meetings of the Partnership Board. Other areas for improvement include the need to always document approval of significant spending decisions, clarification of the complaints process and introduction of a customer satisfaction survey. Lesson learned exercises are not carried out after capital projects have been completed.
- 3.2.53 We have also made recommendations to improve controls over the invoice checking procedure and the completeness of information on invoices.
- 3.2.54 One recommendation was accepted in principle but management do not propose to take action and have accepted the risk involved. This relates to carrying out pro-active measures, such as spot checks, on maintenance works undertaken by the contractor.
- 3.2.55 Management have explained that approximately 200 – 400 maintenance tasks are completed each month and the client team do not have the capacity or expertise to implement this. There are however compensating controls because the contractor has its own quality assurance processes which the client team are currently exploring for robustness. Furthermore, where checks on the monthly invoice by the client team identify anomalies in tasks carried out, the invoice cost is amended or a credit is obtained.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	11	10	1
Priority 3	0	0	0

3.2.56 Traffic & Road Safety Procurement

Audit opinion	Substantial
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3.2.57 Review of Procurement arrangements to ensure controls are in place and contract procedure rules are complied with.

3.2.58 We made three Priority 2 recommendations relating to value for money, procedures and change control notices.

Value for Money

3.2.59 Email correspondence from officers; refer to the quoted cost of the audits under this arrangement being more expensive than the previous approach via ProContract. For example, a typical road safety audit of circa £500 is now being quoted as an average of £889. It is acknowledged that this is based on a very small sample, which may mean that a meaningful conclusion cannot be drawn at this time. It was recommended that management should periodically review value for money in respect of the new arrangements with colleagues in Procurement.

Procedures

3.2.60 A procedure note for the procurement of road safety audits was provided to the auditor. The document remains undated and has no review date. The procedures do not reflect the new arrangements which came into effect from January 2019. A recommendation was made to cover that procedures should be dated, updated to reflect current arrangements and have a review date.

Change Control Notices

3.2.61 CCN2 for Highways Engineering Consultancy Services included the effective date of 28/12/18 but does not clearly state the financial values of the change control within the completed form.

3.2.62 CCN2 was completed partly in respect of the professional services which includes road safety audits.

3.2.63 It was confirmed by the Highway Asset Manager 'the volume of work ordered via the professional services element of the Major Works Contract 2018 will depend on available budgets over the remaining duration of the contract. It has therefore only been possible for an estimated total value of CCN2 to be calculated, which is £3m'.

- 3.2.64 It should be noted that the majority of CCN2 relates to other service areas and only a small proportion represents road safety audits and other small scale support services procured by the Traffic & Road Safety Team.
- 3.2.65 It was recommended that the value of the CCN should be clearly stated for each of the items included within the professional services element.
- 3.2.66 All three 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	3	3	0
Priority 3	0	0	0

3.2.67 Treasury Management

Audit opinion	Substantial
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- 3.2.68 The overall objective of the audit was to review the key controls around the Council's Investments.
- 3.2.69 Controls noted to be in place and working well, included:-
Investments were correctly approved, consistent with credit limits, and performance reports were received quarterly by the Executive, Resources and Contracts PDS.
- 3.2.70 We have made one Priority 2 recommendation to improve the framework of controls. This related to ensuring that quarterly reconciliations are completed within two weeks of the end of the quarter and reviewed by the Senior Accountant, with each reconciliation statement including the name of both the preparing and the reviewing officer and the date the action was carried out.
- 3.2.71 The recommendation 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

3.2.72 Adult's Social Care Budget Management

Audit opinion	Substantial
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3.2.73 The objective of the audit was to review the controls in place which mitigate the risk of failure to deliver ECHS financial strategy.

3.2.74 The audit review identified that controls were in place and working well in the areas reviewed and tested particularly budget monitoring, identifying savings and growth at budget setting, scrutiny by chief officers and members and recruitment and retention initiatives in response to cost pressures. There was one Priority 2 recommendation raised relating to the Invest to Save scheme and the need for the Learning Disabilities Team to implement the control identified for more regular and frequent reviews of service; management had cited capacity as a limiting factor. The Director of Adult Social Care (ASC) confirmed that monitoring is in place for ASC services with weekly performance reports. Performance and best practice is shared at the Director's bimonthly meeting with ASC Heads of Service.

	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

3.2.75 Children's Social Care Budget Management

Audit opinion	Substantial
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3.2.76 The objective of the audit was to review the controls in place which mitigate the risk of failure to deliver ECHS financial strategy.

3.2.77 The audit review identified that controls were in place and working well in the areas reviewed and testing particularly budget monitoring, information available to budget holders and scrutiny by chief officers and members. There was one Priority 2 recommendation raised relating to growth and migration. The audit identified that one area of growth (specifically for placements) it was unclear if in one area the mitigation identified would be achievable and based on realistic or justifiable assumptions. Management agreed that in future all mitigation would be fully evidenced.

	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

3.2.78 Payroll Expenses

Audit opinion	Substantial
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3.2.79 The overall objective of the audit was to review the governance arrangements over payroll expenses and ensure that controls are in place and working satisfactorily to mitigate risk.

3.2.80 Controls noted to be in place and working well included the processing of statutory and voluntary deductions. Teachers' pension tables were set up accurately within the HR system and the pension deductions made were accurate.

3.2.81 We also found that supporting documentation was in place for changes to bank account details. Claim forms had been completed and authorised correctly to enable the processing of payments and amendments to pay scales had been carried out correctly, with the required separation of duties in place for the input and authorisation of these.

3.2.82 We have made three Priority 2 recommendations to improve the framework of controls. These relate to the completion of starter employment forms and contract amendment letters and the updating of the Council's Equality Statement.

3.2.83 The recommendations have all 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	3	3	0
Priority 3	0	0	0

3.2.84 Troubled Families Claim for March 2019

3.2.85 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.

- 3.2.86 We analysed a random sample of 43 individual claims for the claim period between 1 October 2018 and 31 March 2019. 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.
- 3.2.87 We also confirmed that the total amount claimed for payment by results for the 426 individual claims submitted between the period 1 October 2018 and 31 March 2019 was £340,800.

3.3 Priority 1 Follow Up

3.3.1 Review of Health and Safety – Priority 1 update

3.3.2 The Health and Safety audit report was finalised on 18th January 2019 and therefore the six month implementation period has not yet elapsed.

3.3.3 The report contained one Priority 1 recommendation which related to a full suite of comprehensive, fully documented Health and Safety Risk Assessments not being held, and the Authority not being able to demonstrate that it has assessed its Health and Safety Risks and has action plans in place to implement controls.

3.3.4 Key risk documents are being worked on prior to circulation to the Corporate Leadership Team for discussion and approval.

3.3.5 The recommendation is therefore in progress.

3.3.6 Home Tuition – Priority 1 update

3.3.7 At the previous meeting Members were informed that of the five Priority 1 recommendations originally raised for the Home Tuition Service, two had been implemented but the recommendations relating to the core panel administration, attendance registers and the use of a procurement system to engage agency tutors for the service were outstanding and would remain open to be reviewed for this Committee.

3.3.8 Following the Internal Audit report finalised in October 2018 the Department commissioned an independent external review to consider the effectiveness of leadership and management; quality of curriculum; personal development, behaviour and welfare and teaching, learning, assessment and pupil outcomes. The findings of the commissioned review and the Internal Audit findings will be considered by the interim Head of Service with a view to possible restructure and changes to the processes and procedures to deliver the service.

3.3.9 The Home Tuition team have progressed the three outstanding Priority 1 recommendations as evidenced by the interviews and testing completed for this update and summarised as follows:-

Core Panel Decisions

3.3.10 The panel coordinator post is currently being reviewed by HR and once approved the recruitment process can commence. The role is currently covered by an administrative officer and the record keeping has improved.

3.3.11 A sample of 5 new cases, discussed at the 29/4/19 panel meeting, was selected for audit examination. In all cases the application was supported by the required medical evidence and an authorised submission from either the school or SEN colleagues. The outcome letters were all signed, referenced to the panel date, specified the number of hours to be allocated to the child and referred to a 6 week review. For all 5 children the review had been recorded on the agenda for the next appropriate panel meeting.

- 3.3.12 The Interim Head of Access and Inclusion is reviewing the panel process across the division and further changes may be implemented. The audit findings related to the administrative function to support the panel and the outcome information recorded, both areas have significantly improved. There were no findings for the five cases sample tested and this recommendation is therefore considered closed.

Attendance Registers

- 3.3.13 The Home Tuition team confirmed that all attendance registers are now received on a weekly basis for agency staff and monthly for LBB staff. This is in line with receipt of the timesheets and allows an adequate check between the two documents. Audit testing for 5 tutors, week ending 29/3/19 was satisfactory and this recommendation is therefore considered closed.

Procurement and the use of one supplier (supplier A)

- 3.3.14 An extension to the current proprietary procurement system has been granted until March 2021.
- 3.3.15 The Lead Teacher confirmed that the business plan to reduce the reliance on agency tutors is still being considered.
- 3.3.16 The increase in referrals to the service has also impacted on the plan to reduce the use of agency tutors. However the Lead Teacher has been able to meet demand for hours from existing agency contracts and LBB tutors without procuring new requirements on the proprietary procurement system.
- 3.3.17 The Lead Teacher and Finance Officer confirmed that the correct expenditure code, for all current requirements, has been uploaded to the system. Going forward the Finance Officer will ensure that any procurement for agency tutors will be assigned the correct expenditure code to reflect budget responsibility.
- 3.3.18 The proprietary procurement system provider attended a meeting with LBB users as an opportunity to address specific issues and deliver a level of training. The Home Tuition Team agreed that this meeting had been useful and the Lead Teacher could now access financial information for each requirement that would allow greater control and monitoring. However as the team have attempted accessing new areas on the system other issues have arisen that will need to be referred back to the provider.
- 3.3.19 Given the business plan to restructure the resources for Home Tuition is still in draft, no new requirements have been uploaded to the procurement system to test the process and the team are identifying issues to be addressed with further training, this recommendation will remain open but it is acknowledged that it is now partially implemented.

3.3.20 Agency Staff – Priority 1 update

- 3.3.21 The final report on agency staff, issued in March 2018, contained three Priority 1 recommendations. Two of these have been implemented. The remaining Priority 1 recommendation was for 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.
- 3.3.22 At the last Audit Sub-Committee meeting in February 2019, we reported that this had not been implemented at that time and that we would carry out further testing in May. Following the meeting, this matter was referred to the Chief Officers' Executive by the Director of HR to make them aware of the situation. Our sample testing has now been superseded by a specific time bound instruction from the Chief Officers' Executive to Directors for a business case to be made to and approved by the Director of HR, for all non-ECHS agency staff who have been in post over 6 months.

3.3.23 We will provide an update on this at the Audit Sub-Committee meeting.

3.3.24 Leaving Care – Priority 1 update

3.3.25 The Leaving Care Audit, issued on 15th October 2018, contained six Priority One findings, four of which were reported as implemented at the last Audit Sub Committee meeting of 26th February 2019.

3.3.26 The two recommendations outstanding at that time related to the grant sheets (central log) not reconciling to the finance records held and the completeness of individual finance records.

3.3.27 Payments and grants are manually tracked within the leaving care team and whilst the Head of Service has completed a dip sample which indicates that grants are tracked and updated and the service continues to dip sample to ensure that Grant sheets are up to date, a full review of all service users has yet to be undertaken.

3.3.28 The Head of Service confirmed on 21/5/19 that ‘the spreadsheets are being kept up to date as per the regular dip sampling and advised that due to a lack of capacity, it is not possible to check the 200+ grant sheets given limited staffing and would welcome any suggestions on how this may be addressed differently in light of the lack of resources’. A meeting to discuss this is being arranged.

3.3.29 As at May 2019, the proposed review of the service user finance records has yet to be undertaken and therefore both recommendations remain outstanding.

3.3.30 Contract Management – Adult Mental Health – Priority 1 update

3.3.31 At the previous meeting in February 2019 Members were advised that the Department had implemented 2 of the 5 Priority 1 recommendations raised in the audit report finalised in May 2018. The recommendations relating to the deed of variation, performance monitoring and management reporting remained open. The previous update concluded that a revised target of March 2019 had been agreed to issue the new agreement, formally adopt the monitoring framework for performance management and schedule the receipt of quarterly and annual management reports.

Variation to Contract

3.3.32 At a meeting with the Head of Commissioning on the 2nd May it was confirmed that the deed of variation signed by Oxleas was still outstanding. On the 13th May it was confirmed that the contract, including comments for variation has been returned by Oxleas and is now being reviewed by officers including the Authority’s Legal Team. Once this has been completed, the deed of variation will be signed by both LBB and Oxleas, finalising this Priority 1 requirement.

3.3.33 The recommendation remains open.

Performance Measures and Monitoring

3.3.34 At the end of March a suite of KPI’s were agreed with Oxleas including a set of 45 indicators. The indicators can be separated into three areas – (a) those with data sets that are immediately available and can be provided by Oxleas (b) those with data sets that need to be developed so that performance can be reported and (c) data which needs to be developed for information but which will not be included in the performance report. Some data will need to be collected manually before suitable reporting systems can be put into place e.g. data related to training provided to officers. The deed of variation should include the agreed KPI’s to measure performance.

- 3.3.35 Not all of the 45 indicators will currently specify a target to be achieved (e.g. due to a lack of historical performance information) but represent a requirement to collate and report data from which targets can then be established. It was recommended that the final schedule of agreed indicators/requirements be formally adopted, the date, owner and revision date to be embedded as footer on the document.
- 3.3.36 Oxleas provided data reports in December 2018 and February 2019. Additional work is being undertaken by Oxleas to extend the data available to meet the requirements of the new performance framework and the Oxleas team are in the process of developing the reporting mechanisms. It was recommended that the Authority confirm the frequency and format to allow adequate time to process that data and monitor the contract.
- 3.3.37 Currently, the contract monitoring meeting with Oxleas considers performance monthly and the Mental Health Board (joint with the CCG) quarterly. The Head of Service (S&P, A&H) will need to confirm the availability of data from Oxleas and a target date when the first full month of data on the new performance framework is expected to be completed to achieve adequate contract monitoring.
- 3.3.38 The recommendation remains open.

Management Reporting

- 3.3.39 The original priority 1 had identified that Oxleas should submit a quarterly performance management report to the Bromley Joint Mental Health Board. The agreement specified 8 reports and statements that should be included in this quarterly report. The signed deed of variation and section 31 agreement should specify a similar list of reports and statements that will need to be evidenced.
- 3.3.40 The recommendation remains open.
- 3.3.41 As at 16th May the three recommendations remain open but full implementation is expected shortly.

3.3.42 Strategic Property – Priority 1 update

- 3.3.43 At the previous meeting Members were informed that four Priority 1 recommendations were raised from the review of the management of Strategic Property. The Priority 1 recommendations 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.
- 3.3.44 Management advised that progress has been made in implementing the four Priority 1 recommendations which is detailed below.

Verification of Contract Performance to support payments

- 3.3.45 Since the audit took place a series of meetings have been held with the Contractor and rather than sampling work from the tracker it was agreed that all casework undertaken by the Contractor in terms of Disposals/Rent Reviews/Lease Renewals/New Leases would be checked by the Head of Asset and Investment Management (HAIM). This ensures that the work behind each transaction has been carried out in diligent and accurate manner. The Contractor meets with the client on a regular basis where the Contractor presents works undertaken so that the HAIM can query, review and then approve. A hard copy record of each transaction is kept by the TFM Client Team.

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

- 3.3.46 Prior to the Audit taking place Management recognised that the Contractor was not adhering to the Schedule of Rates and therefore decided not to issue any new instructions on this basis. Consequently other pieces of major work have been issued to other Contractors with individual Executive approvals. Where the contractor has continued to be instructed these are for specific works which are not provided via the Schedule of Rates and are usually provided by Third Parties – where the Contractor has obtained either a number of quotes or has undertaken costed works via agreement with the TFM Team approved by the HAIM. These tend to be, for example, either bespoke dilapidation reports, measurement surveys and Arbitration Fees determined by the RICS.

Key performance Indicators (KPIs)

- 3.3.47 Since the audit took place a series of meetings have been held with the Contractor and the Strategic Property KPIs will be removed from the Balanced Scorecard and be presented in their own format with a separate penalty methodology to reflect multiple failure and linkage to non-delivery of service. As all casework undertaken by the Contractor in terms of Disposals/Rent Reviews/Lease Renewals/New Leases is now being checked by the Head of Asset and Investment Management (HAIM) this further provides Management assurance that satisfactory service is being applied. The revised KPI's with written guidance are due to be finalised by 7 June and then taken via CCN to the Strategic Partnership Board on 26 June 2019.

£1m income generation plan

- 3.3.48 Since the audit took place a series of meetings have been held with the Contractor together with Finance whereby the identified savings have been analysed and in respect of Q1 and Q2 reviewed. Q3 and Q4 are currently being reviewed with anticipated completion by 7 June 2019. A process has been implemented by the HAIM whereby each Savings/Income Generation line provided by the Contractor is reviewed and approved by the HAIM, following query, review and if appropriate challenge. This provides Management assurance that the identified benefit is genuine and is in addition to what would have been expected if the Contractor was not delivering its enhanced service to produce the extra £1M.
- 3.3.49 Internal Audit will review the evidence and undertake verification tests to confirm the implementation of the four outstanding priority 1 recommendations which will be reported to committee at the next meeting.
- 3.3.50 The recommendation remains open.

3.3.51 Review of Waivers – Priority 1 update

- 3.3.52 The progress to implement the two outstanding priority 1 recommendations has been reported to previous committees since the report was finalised in March 2017. The recommendations related to improving accountability of all waivers using a central register and secondly the need for a standard template that cannot be altered and tracked to promote consistency for waivers.
- 3.3.53 The Assistant Director Governance and Contracts has provided a satisfactory update to evidence progress to implementation as follows:-
- The process for authorisation for all contract actions (proceeding to procurement, award of contract, extensions, variations and exemptions of which the latter three come under the heading of 'waivers') has been updated and regularly communicated and forms part of commissioning and procurement training provided to staff. All guidance and supporting

templates are available on the Council's Management Toolkit pages. This process is fully embedded.

- The Procurement Board has been implemented in 2019; part of their role is to monitor a workplan of all relevant contracts to monitor compliance with authorisation requirements.
- The Contracts Database has been developed for the functionality of an electronic authorisation process for all relevant contract actions, including extensions, variations and exemptions. This functionality is now being rolled out through initial pilots with selected users before wider roll out.
- 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.

3.3.54 The recommendations have been addressed, subject to ongoing monitoring and review of the functionality of the Contracts Database and therefore considered closed.

3.3.55 Street Cleansing Contract Management – Priority 1 update

3.3.56 At the previous meeting Members were informed that one Priority 1 recommendation was raised from the review of the Street Cleansing Contract Management. The Priority 1 recommendation related to invoices being processed for payment without supporting documentation. The prices charged for some elements of the agreed programme of additional work could not be substantiated. (NB these had been in place over the length of the contract but no breakdown could be provided).

3.3.57 Internal Audit is currently reviewing the draft payment processing procedure for the new Street Cleaning Contract which started on 01/04/2019. Internal Audit will undertake verification tests and review the evidence and to confirm the implementation of the Priority 1 recommendation which will be reported to committee at the next meeting.

3.4 Publication of Internal Audit Reports

3.4.1 Since the last cycle of this Committee, we have published 12 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
Financial Strategy and Budget Compliance	Substantial
Housing Benefit and Council Tax Reduction Scheme	Substantial
Arboricultural Services	Limited
Residential Care	Substantial
Strategic Commissioning	Substantial
Total Facilities Management	Limited
Traffic & Road Safety Procurement	Substantial
Treasury Management	Substantial
Adult Social Care Budget Management	Substantial
Children's Social Care Budget Management	Substantial
Payroll Expenses	Substantial
Troubled Families Claim	N/A

3.5 Risk Management

- 3.5.1 It was agreed by the Committee that Risk Registers would be reviewed at least six monthly, updated and reported first to Audit Sub Committee and then to the respective PDS Committees. The latest iterations of the departmental and corporate risk registers, which formed part of the Corporate Risk Management Group meeting agenda on 1st May 2019 are attached as Appendices B1 – B9.
- 3.5.2 Since the last meeting of the Audit Sub Committee on 26th February 2019, one key amendment has been made to the Corporate Risk Register, by way of the addition of a risk reflecting the 'Potential detrimental impact of Brexit upon service delivery'.
- 3.5.3 At the Executive, Resources and Contracts PDS meeting of 5th July 2018, it was requested that the risks marked as 'Red' (High) should be presented to each meeting of the relevant PDS committee and that the 'further action required' column of each Risk Register be kept under review and this process commenced immediately.

3.6 Waivers

- 3.6.1 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. As required by the Contract Procedure Rules (CPR) this Committee has to be updated on waivers sought across the Authority at six monthly intervals.
- 3.6.2 As previously reported to this Committee the methodology to obtain the waivers was labour intensive and relied on manual records maintained by the Directors PA's. There had been concern that not all waivers were captured and reported to Committee.

- 3.6.3 The Assistant Director Governance and Contracts (AD G&C) has written and issued a series of practice notes related to the information and actions stipulated by the Contract Procedure Rules. Practice note 1 issued to all contract owners included a section on waivers:-
- 3.6.4 *Waivers (extensions, variations, exemptions) – Contract Owners need to report these to Audit Sub bi-annually where they are over £50k. Make sure you are recording these so you can pass the information to Internal Audit upon request, who then make the report to Audit Sub on your behalf.*
- 3.6.5 The waivers reported should include all exemptions, extensions and variations as defined in 13.1 of Contract Procedure Rules with reference to 3.1, 3.5.5 and 23.7.
- 3.6.6 For this committee cycle the information was gathered from the ECS Business Support Team, ECHS Commissioning , the PA assigned to the Director of Finance and interrogation of the Contract Database to identify exemptions and extensions. The information shown at Appendix C is the collation of information available from these sources and should include waivers that had been authorised between October 2018 and March 2019 as a gateway report or waiver document.
- 3.6.7 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.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 4.1 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 Adults Social Care.

5. POLICY IMPLICATIONS

None

6. FINANCIAL IMPLICATIONS

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

7. PERSONNEL IMPLICATIONS

- 7.1 Where appropriate and following a reasonable management investigation, a disciplinary process may be initiated in response to poor practices or/and misconduct.

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

- 9.1 The contents of this report includes 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