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DATE: 18 February 2020

To: Members of the  
**AUDIT SUB-COMMITTEE**

Councillor Neil Reddin FCCA (Chairman)  
Councillor Robert Evans (Vice-Chairman)  
Councillors Gareth Allatt, Ian Dunn, Keith Onslow, Tony Owen and Stephen Wells

A meeting of the Audit Sub-Committee will be held at Committee Room 1 - Bromley Civic Centre on **WEDNESDAY 26 FEBRUARY 2020 AT 7.00 PM**

MARK BOWEN  
Director of Corporate Services

*Copies of the documents referred to below can be obtained from*  
<http://cbs.bromley.gov.uk/>

## A G E N D A

- 1 **APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**
- 2 **DECLARATIONS OF INTEREST**
- 3 **CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 17TH OCTOBER 2020 (EXCLUDING EXEMPT INFORMATION) (Pages 5 - 16)**
- 4 **QUESTIONS TO THE AUDIT SUB COMMITTEE**

In accordance with the Council's Constitution, questions that are not specific to reports on the agenda must have been received in writing 10 working days before the date of the meeting.

Questions specifically concerning reports on the agenda should be received within two working days of the publication date of the agenda. Please ensure that questions specifically regarding reports on the agenda are received by the Democratic Services Team by **5pm on 20<sup>th</sup> February 2020**.

- 5 **MATTERS OUTSTANDING FROM THE LAST MEETING--PART 1 (Pages 17 - 26)**

## **6 QUESTIONS ON THE AUDIT REPORTS PUBLISHED ON THE BROMLEY COUNCIL WEBSITE**

The following reports have been published on the Bromley Council website:

1-Review of the Transformation Strategy

2-Review of Council Tax 2019-2020

3-Review of Deferred Payments

4- Review of Business Continuity and Emergency Planning

5-Review of Procurement Cards

6-Tax and National Insurance Contribution Issues arising from the audit of Procurement Cards

7-Review of Substance Mis-Use Services

8-Main Accounting System and General Ledger 2019/20

9-Schools Finance Team (SFT)

10-Review of Insurance 2019/20

The web link to the published reports is:

<https://cds.bromley.gov.uk/ieListMeetings.aspx?Committeeld=559>

Any questions regarding these reports should be forwarded to the Committee Clerk by 5.00pm on Thursday 20<sup>th</sup> February.

The email for the Committee Clerk is [stephen.wood@bromley.gov.uk](mailto:stephen.wood@bromley.gov.uk)

## **7 ANNUAL INTERNAL AUDIT PLAN 2020-2021 (Pages 27 - 56)**

## **8 INTERNAL AUDIT PROGRESS REPORT (Pages 57 - 80)**

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

The Chairman to move that the Press and public be excluded during consideration of the item of business listed below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

**Items of Business**

**Schedule 12A Description**

- |           |  |   |
|-----------|--|---|
| <b>10</b> | <b>INTERNAL AUDIT FRAUD AND INVESTIGATION REPORT</b> (Pages 81 - 110)            | Information relating to any individual.   |
| <b>11</b> | <b>MATTERS OUTSTANDING--PART 2</b> (Pages 111 - 114)                             | Information relating to the financial or business affairs of any particular person (including the authority holding that information) |
| <b>12</b> | <b>EXEMPT MINUTES OF THE MEETING HELD ON 17TH OCTOBER 2020</b> (Pages 115 - 118) | Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.     |

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## AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.00 pm on 17 October 2019

### Present:

Councillor Neil Reddin FCCA (Chairman)  
Councillor Robert Evans (Vice-Chairman)  
Councillors Gareth Allatt, Ian Dunn, Keith Onslow,  
Tony Owen and Stephen Wells

### Also Present:

Councillor Angela Page and Councillor Pauline Tunnicliffe

### 15 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies received from Barrie Cull and from Catriona Ellis.

### 16 DECLARATIONS OF INTEREST

No declarations of interest were stated.

### 17 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 4th JUNE 2019, EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

The public minutes of the meeting that was held on 4<sup>th</sup> June 2019 were agreed and signed as correct record.

### 18 QUESTIONS TO THE AUDIT SUB COMMITTEE

No questions had been received.

### 19 MATTERS OUTSTANDING

#### CSD 19142

The Committee noted the matters that had arisen from previous meetings.

The Committee was pleased to note that all of the matters with one exception had now been resolved.

Members were disappointed to note that the matter of the objection to the accounts had still not been closed. An update regarding this had been included in the Internal Audit Progress report.

**RESOLVED that the Matters Outstanding report is noted.**

## **20 QUESTIONS ON THE INTERNAL AUDIT REPORTS PUBLISHED ON THE BROMLEY COUNCIL WEBSITE**

No questions had been received regarding the Internal Audit reports that had been published on the Bromley Council website.

## **21 INTERNAL AUDIT PROGRESS REPORT**

***Note:** In the minutes, reference is made to P1, P2 and P3 recommendations. This refers to Priority One, Priority Two and Priority Three recommendations made by the Internal Audit Team—with Priority One being the most urgent.*

The Internal Audit Progress report updated Members concerning the work undertaken by the Internal Audit Team since the previous meeting held on 4th June 2019. Members were briefed concerning the progress made in implementing the previous P1 recommendations and were alerted to new P1 recommendations that had since appeared.

The Assistant Director for Highways attended the meeting to update the Committee concerning the recommendations that had been made following the audit of the **Highways Maintenance Contract**.

Members were concerned because the audit of the Highways Maintenance Contract had resulted in 3 new P1 recommendations as well as 2 P2 recommendations. Because of this, the overall audit opinion was '**Limited**'.

Management attention was required in various areas, including:

- The selection process of highways for the major works programme
- Management and delivery of the agreed highways schemes
- Controls relating to Crossovers

Members were concerned to note that with respect to 4/4 of the sampled carriageways incorporated in the Highways Investment Schemes, the total cost of highways maintenance was £305,921, but there was no documented evidence for the rationale regarding the expenditure. Back up information was not retained and there were no written procedure notes that could be referred to. Further deficiencies had been identified in respect of the management of the delivery of the agreed Highways Investment Scheme, as noted in the report.

It had also been identified in the audit that there was no documented procedure to manage requests for the reconstruction and widening of crossovers. Greater formality was needed. The Assistant Director acknowledged that better processes for dealing with documentation and record keeping were required. He felt that the Sharepoint system should be

used going forward to store data such as survey records. The data would then be easier to access and manage as it would be stored in a central location.

The Chairman mentioned issues that had arisen previously with respect to fraud relating to crossovers. The Assistant Director assured that all of the payments relating to the crossovers in the report could be evidenced. Five members of the public received a quote, three had the work done, but two did not take up the quote. Members of the public sometimes asked for a quote on the day. The engineer would then provide a written quotation, and if the customer wanted the work to go ahead, they would contact Liberata and make a card payment. The Assistant Director agreed that a record of this quotation should be kept, even if it was a photo taken on a mobile phone.

A Member commented that it would have been useful to have some sort of record of the state of the roads when the surveys were undertaken included in the PDS Committee papers, as otherwise it made it difficult to compare schemes and whether or not LBB were working to priorities.

The Assistant Director referred to six phases or priorities with respect to highways maintenance. Phase 1 consisted of the highest priority roads identified in the survey undertaken by external consultants.

A Member referred to the lack of records kept by Highway Inspectors. He expressed perturbation regarding this, saying that such records would be useful in dealing with insurance claims. He felt that this was a matter that should be tightened up on.

A Member enquired if Thames Water were repairing roads properly after undertaking maintenance work on their infrastructure. The Assistant Director answered that Thames Water would be responsible for re-surfacing roads to the relevant standards of compliance. Utility companies paid LBB to inspect their work, and LBB was the best performing London borough for inspecting defects.

A Member stated there were certain details that had been identified in the audit report on highways maintenance that had not appeared on the associated reports that had been presented to the Environment PDS Committee. He asked what lessons had been learnt to improve the information and data that was presented to the ECS PDS Committee (Environment and Community Services) and the Environment Portfolio Holder.

The Assistant Director responded that he was happy to supply more detail/data in reports if Members required it. The Member said that he would discuss the matter with the Environment Portfolio Holder.

In response to a question, the Assistant Director advised that he was hoping going forward, to undertake highway surveys every two years. The most economical way of doing this was to undertake a driven survey which cost

£60,000. A walking survey was more expensive. A survey was planned for early in 2020.

A discussion took place concerning the condition of Thames Water's infrastructure, cross over policy and how far from the centre of the road did LBB's responsibility extend to.

The Chairman thanked the Assistant Director for Highways for attending the meeting and answering the Committee's questions.

With respect to **Adult Health and Social Care Integration**, Members noted the update in the report, and that the overall audit opinion was '**Reasonable**'.

A Member commented that when looking at the updates on the Internal Audit Progress Report, it would be useful to have detail included such as the date when the P1 started, who was dealing with the matter, and the date when the matter had been closed. He also said that when a matter had been referred from Audit to PDS Committees, it would be useful to have an update in the report stating what the outcome was after being looked at by the PDS Committee. Another Member agreed that a follow up update was required, perhaps a note from the relevant PDS Chairman, or a copy of the relevant minute forwarded to the Committee.

The Head of Audit and Assurance referred the Member to Appendix A, which was the 'Priority 1 List' and said that much of the information that the Member was seeking was located there. He said that it may be useful going forward to note the relevant Head of Service on the Appendix.

A Member commented that he would like to see more individuals attending the Committee to provide information. The Head of Audit and Assurance said that it should be borne in mind that people should not be called lightly to appear before the Audit Sub-Committee. Internal Audit worked well with departments to support them to make progress. Attendance should be balanced and where it was clear that departments were not making satisfactory progress, it may be helpful for the officer to attend and explain why. The audit process should be seen as constructive and not something to be feared, although there would be occasions where officers needed to be held to account. He said that during draft agenda meetings and Chairman's Call Over, a decision would be made as to whether or not a person should be summoned to appear before the Committee. He agreed that there were occasions when calling a person to appear before the Committee was beneficial in terms of providing information and greater understanding of situations and circumstances. He said that he had worked with several council audit committees, and found that in his experience, Bromley Council's Audit Sub-Committee was very effective and struck the right balance between challenging and supporting officers and the audit process.

The Member responded that in his view, if officers were sloppy in dealing with P1 recommendations, then they should be asked to appear before the Committee.



A Member stated that there were occasions when the overlap between the Audit Sub-Committee and PDS Committees was confusing. He expressed the view that the Audit Sub-Committee should have a constructive role, rather than be a 'committee of Rottweilers'.

The Chairman said that each case was assessed on its merits, and people were called to appear when it was felt it was appropriate.

Internal Audit had undertaken an audit concerning the contract management of the **Council's IT Contractor** for the period 2018 to 2019. It was noted that three P3 recommendations had been made and that the overall audit opinion was '**Substantial**'.

The objective of the **Fostering** audit was to review controls in place for the assessment, placement review and payment procedures for in house and independent fostering. A Member commented that it was imperative that with respect of foster children, the correct data and information should be recorded. Concern and distress could be caused if information was not recorded correctly. He added that the Fostering and Adoption Panel went to great lengths to ensure that paperwork was correct. The overall audit opinion for the Fostering Service was '**Substantial**'.

Members noted that one of the objectives of the **Licensing** audit was to assess the controls around compliance with legal/regulatory requirements for Licensing. It was noted that the HMO (Houses of Multiple Occupation) Team were failing to notify the Council Tax section regarding HMO properties within the borough. A Member enquired if any feedback was provided from the Planning Department in cases where for example a property was being converted into a six bedroom HMO. The Head of Audit and Assurance stated that he would look into this and report back.

A Member referred to section 3.2.31 relating to Licensing, and the text that said that Licensing Officers sometimes had issues determining whether or not individual license fees had been received. He said that it was important that licensing payments were correctly recorded and that data was accurate. He asked the Head of Audit and Assurance if he was now confident that the matter had been resolved, as he was worried that payments may be going astray. The Head of Audit and Assurance responded that Internal Audit had provided the Licensing Team with a solution to deal with the matter. It was noted that the overall audit opinion for Licensing was '**Reasonable**'.

The Head of Audit and Assurance briefed the Committee regarding the audit of the **NRPF** (No Recourse to Public Funds) section, which was part of the Referral and Assessment Team. Members were concerned to note that the audit had resulted in a new P1 recommendation, along with five P2 recommendations.

It was explained that the objective of the audit was to review controls for the assessment and monitoring of NRPF cases, including payment procedures.

Consideration was also to be applied to the effectiveness of counter fraud initiatives (specifically referral to Greenwich Fraud Team) and data sharing with other boroughs. The review was limited to the NRPF service within the Children's Social Care Division.

The Head of Audit & Assurance provided a brief overview of how the NRPF service operated. There was a P1 recommendation relating to the procurement, contractual arrangements and cost of accommodation. The procurement of accommodation did not comply with Financial Regulations or Contract Procedure Rules. One provider had been used as the primary source of accommodation, but no consideration had been applied to the cumulative spend that was being accrued by using just this one provider. Savings could have been made if Housing had made the placements according to pan-London guidelines. This meant that for the period 2018 to 2019, LBB had incurred nearly £25k more in costs.

The Committee was apprised that at the time of the meeting, there were only 6 NRPF cases requiring temporary accommodation. A Member expressed concern that as there had been no contract and no purchase orders in place, the process was wide open to fraud and therefore needed to be tightened. It was suggested that the telephone calls should be recorded.

A Member asked that the context and often stressful circumstances involved in these instances be considered. It was often the case that a caseworker may be making a phone call late on a Friday evening trying urgently to secure accommodation for that night, and this could be very stressful.

It was noted that as part of the Transformation Programme, the Authority would be reviewing Housing Services. There would be scope to refer the accommodation element of the NRPF to Housing. This would be more cost effective and the providers being used by the Housing Department would be working to Service Level Agreements. The overall audit opinion for NRPF was '**Limited**'.

Members turned their attention to the audit review regarding the systems and processes in place for dealing with **Creditors**. They were concerned to note that the audit opinion was '**Limited**' and that there was a P1 recommendation that required immediate action. This was because appropriate bank mandate checks to prevent fraud were not in place and this represented an immediate risk to the Council. Other areas of concern that were identified included:

- Users being set up on the financial system without reference to the financial authority limits, and without the relevant documentation being completed
- Staff that had left the Council had not been removed from the signatory list
- Some purchase orders had been raised after invoices had been received for payment

Management had been instructed to implement the P1 recommendation immediately. A Member asked what was meant by 'immediately' and it was noted that this was as soon as the problem had been identified. The contractor was instructed to carry out additional checks before modifying bank details of creditors, by ringing the creditor directly, using contact details already held or independently obtained and checking if the communication that had been received to change the bank details was in fact correct.

Members were briefed regarding the audit of **Domiciliary Care Contract Management**. The report explained the difference between spot and framework contracts and it was noted that the P1 recommendation related to two contracts where services were being provided even though the contracts had expired. The overall audit opinion for the audit of Domiciliary Care Contract Management was '**Limited**'. A Member was dismayed to note that services could be provided where there was no contract in place. The Audit Team explained that contract extension letters had been sent out, but had not been returned and signed.

The report noted that there was a contract that was due to expire in August 2019, but there was no provision for an extension. A Member asked if this had now been resolved. The Head of Audit and Assurance said that he would investigate this and report back. He said that matters like this would most likely be noticed by the Procurement Team now that the Contracts Database was operational. A Member commented that it was staggering that simple checks were not in place. Another Member stated that the Financial Regulations said that a signed contract had to be in place, so this was a serious matter.

The Committee noted that the audit of **Direct Payments (Children)** was given an overall audit opinion of '**Reasonable**' and five P2 recommendations had been made and accepted by management. A Member asked for more information on what was being done to implement the audit recommendations for the Direct Payments (Children) Team. The Head of Audit and Assurance responded that about six months would be required before it would be reasonable to assess progress.

Members noted that the audit of **Extra Care Housing** had been assessed as '**Reasonable**', with one P2 recommendation and one P3 recommendation.

Members heard that an audit had taken place of **Riverside School** to examine the effectiveness of the control system relating to the school's financial administration. The audit had resulted in 5 P2 recommendations and 1 P3 recommendation, with an overall assurance rating of '**Reasonable**'.

Members were pleased to note that the **Post Implementation Review of the Libraries Contract** had provided assurance that the overall governance and management of the contract was going well and so the overall audit opinion was '**Substantial**'.

The Committee was disappointed to learn that the audit review of **Starters and Leavers** had revealed many areas where management attention was required. Resultantly, 1 P1, 4 P2 and 1 P3 recommendations had been made and all were accepted by management. The overall audit opinion was '**Limited**'.

With respect to the actioning of the various processes and procedures that should be undertaken when a Councillor or Officer left the authority, a discussion took place as to who should lead and take responsibility for this. It had been agreed that at the moment, it would be HR who would be leading. Some Members disagreed with this, and expressed the view that the process should be led by managers as it was the job of the manager to manage.

The Head of Audit and Assurance said that the current system, with HR leading, was meant to be a temporary arrangement until development work on the 'Sharepoint' system was completed. When this was finished, it was envisaged that Sharepoint would be able to send the appropriate notifications and information to all relevant sectors of the Council.

The Committee expressed surprise and concern that this matter had not been resolved because of the associated multiple security risks. They expressed the view that the issues should be dealt with as soon as possible as there could be serious implications for the Council. A Member said that he was shocked by the audit and that all IT access should be shut down immediately a person left the Council. Another Member suggested that the proper processes being implemented for starters and leavers by management should be part of managers' appraisals.

A Member stated that as the consensus of the Committee was that this was an urgent and serious matter, a referral should be made from the Audit Sub-Committee elsewhere for further discussion and action. Members discussed where the matter should be referred to and it was felt that the matter should probably be referred to the Chief Executive.

Members were informed that a **Workforce Planning** audit had been undertaken to assess current and future skills gaps. Some controls were in place and working well, but there were areas where management action was required. It was noted that the Council's HR strategy needed to be amended so that a process could be used to identify and measure success in workforce planning. There were 3 P2 recommendations and the overall audit opinion was '**Limited**'.

Members were briefed that the **Troubled Families** claim for September 2019 had been verified and that the total amount claimed or payment by results between 1<sup>st</sup> March 2019 and 30<sup>th</sup> September 2019 was £322,400.

The Head of Audit and Assurance briefed the Committee concerning the follow up audit of **Arboricultural Management**, as at the previous meeting of the Audit Sub-Committee, 4 P1 recommendations had been made, and the matter had been referred to the ECS PDS Committee. Some progress had

been made towards implementation of the recommendations, but several factors had hindered this, including the fact that 2/4 posts were still vacant.

The Head of Audit and Assurance was pleased to report that significant progress had been made regarding the **payment process**, as this had now been moved to the Performance and Business Support Team in line with other contracts. This P1 recommendation was considered as partially implemented.

Members were briefed around the matters relating to open orders and the Confirm system and noted that this recommendation would remain outstanding.

The Head of Audit and Assurance advised the Committee that the recommendation relating to the monitoring of the contract was now considered partially implemented as the Department had addressed the key issues such as the procedure notes and the completion of quality monitoring.

The recommendation relating to defaults remained outstanding as the defaults for the previous contract had not been collected. This was because the final invoice from which the defaults would be deducted had not yet been received.

Members were briefed that a new appointment into the service had been made during the week of the meeting, and that a consultant had been brought in to complete the 19/20 surveys. A Member raised the question as to why the Arboricultural Service had not been transferred over to the Business Management Support Team at the same time as the other Environmental Service contracts. The Head of Audit and Assurance explained that this was simply because the Business Management Support Team had focused initially on dealing with higher priority issues on significant contracts like the Waste Contract and the Street Cleaning Services Contract.

A Member asked the Head of Audit and Assurance if he was obligated to assume that LBB was a commissioning authority when internal audits were undertaken. The Head of Audit and Assurance responded that it was not appropriate for Internal Audit to question policy, however they were concerned with, amongst other things, working out the best ways for services to be delivered and could recommend that managers consider different delivery models if they might provide better value for money.

Members were updated regarding progress made in implementing the 3 P1 recommendations identified in the June report regarding the management of the **Adult Mental Health Contract**. The two recommendations relating to performance monitoring and management reports were now considered to be implemented. It was anticipated that the final sign off of the Deed of Variation of the contract would take place imminently. However, Internal Audit would not close the recommendation until it was evidenced that the document was signed.

Members noted that the implementation of the P1 recommendation for **Health and Safety** was in the process of being implemented. It was noted that the service had limited resources and responsibility for Health and Safety had now been transferred to Human Resources and Customer Services. They were identifying risks and developing the appropriate policies. A Member stated that LBB had to ensure that it was compliant under the Health and Safety Act, and that they were not running the risk of the Health and Safety Executive visiting the authority. The Head of Audit and Assurance said that he would follow up at the next meeting of the Corporate Health and Safety Group and report back to the Committee.

Members were briefed that with respect to the audit of **Leaving Care**, two P1 findings were in the process of being implemented but had not been closed off yet. The P1 update referred to a 'BOXI' report that had been developed to assist the Service. Members asked for more information regarding the nature of the 'BOXI' report, and the Audit Team agreed to investigate and report back.

Members were reminded that at the previous meeting of the Audit Sub-Committee, some progress had been made in dealing with 4 P1 recommendations relating to **Strategic Property**. Subsequently, (as reported in the Internal Audit Progress report), management advised that progress had been made and provided some comments and information.

However, Internal Audit concluded that insufficient evidence currently existed to close off the recommendations. Internal Audit had requested additional information and proposed to undertake further verification checks; they would then report back to the Committee.

Members discussed whether or not it would be appropriate to ask either the Director of Housing or the Head of Asset and Investment Management to attend the Committee. A Member advised that he was a member of a working group that had been looking at these issues for the ER&C (Executive, Resources and Contracts) Committee. He said that at a previous ER&C meeting a line of reporting on this matter had been agreed. He therefore suggested that Members wait and see what was reported to ER&C at its November meeting. The Committee agreed to do this.

A Member referred to section 3.3.46 of the update which referenced the proposed £1m Income Generation Plan. He asked if some firm figures could be provided to the Committee, as the money was incorporated as part of the Council's Financial Strategy. The Head of Audit and Assurance replied that finance was currently reviewing the 'new income' figures identified by the contractor to establish that the income identified as 'new' was classified correctly.

Regarding the payment procedure for the new **Street Cleaning Contract**, this was being reviewed by Internal Audit and the Head of Performance Management and Business Support. Internal Audit would report back once verification checks had been undertaken.

The Committee noted the latest **Departmental and Corporate Risk Registers**. It was further noted that subsequent to the meeting of the Audit Sub Committee on 4th June 2019, a key amendment had been made to the Corporate Risk Register. An additional risk had been added which was the possible failure to deliver the Bromley Transformation Programme.

The Committee discussed the problems associated with the objections that had been received to the Authority's accounts since 2016. The objections had been received from the same objector. A Member raised the possibility that the objections could be classed as vexatious, and asked if the External Auditors may come to a similar conclusion. It was pointed out that the External Auditors would consider the questions raised objectively starting with the earliest years first and decide which ones could be considered as an objection to the accounts, and which ones were questions which would not be relevant to the accounts. The ones which could be considered to be objections would be subject to further investigation.

A Member stated that the matter was damaging to the Council's reputation and steps should now be taken to resolve the matter urgently.

**RESOLVED that**

- 1) The Internal Audit Progress report is noted.**
- 2) The Internal Audit reports published on the web are noted.**
- 3) The latest position regarding the Council's Departmental and Corporate Risk Registers is noted**
- 4) The list of waivers sought since June 2019 is noted.**
- 5) The Head of Audit and Assurance would investigate if any information was provided to the Licensing Team from the Planning Department in cases where planning permission was requested for a multiple bedroom property**
- 6) The Head of Audit and Assurance would investigate if a contract extension had been agreed for the Domiciliary Care Contract and report back to the Committee**
- 7) The risks identified in the audit of Starters and Leavers is referred for the attention of the Chief Executive.**
- 8) The Head of Audit and Assurance would (at the next meeting of the Corporate Health and Safety Group) check for full compliance with the Health and Safety Act and report back to the Committee**

**9) The Audit Team would (with respect of the Leaving Care Audit) provide further information to the Committee regarding the nature of the 'BOXI' report.**

**10) Members would wait for the update on Strategic Property being provided to the ER&C Committee in November, before deciding whether or not any officers should be asked to attend the Audit Sub-Committee**

**11) An update is provided to the Committee regarding the £1m Income Generation Plan. This should include some firm figures concerning any income that has been generated.**

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

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

**23 INTERNAL AUDIT FRAUD AND INVESTIGATION REPORT**

The Internal Audit Fraud and Investigation report provided an overview of Counter Fraud work in 2019/20. It also informed Members of recent activity on fraud and investigations across the Council and provides updates on matters arising from previous Audit Sub Committee meetings. The report detailed updates on previous reported cases, expanded on new cases of interest and detailed cases on the fraud risk register.

As the report was a Part 2 item, the full minutes for this report are noted in the Part 2 minutes.

**24 EXEMPT MINUTES OF THE MEETING HELD ON 4th JUNE 2019**

The exempt minutes of the meeting held on 4<sup>th</sup> June 2019 were agreed and signed as a correct record.

The meeting ended at 9.48 pm

Chairman



Report No.  
CSD 20027

LONDON BOROUGH OF BROMLEY

PART 1 PUBLIC

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

**Date:**                 **26<sup>th</sup> February 2020**

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

**Title:**                 **MATTERS OUTSTANDING**

**Contact Officer:**     Stephen Wood, Democratic Services Officer  
Tel: 020 8313 4316   E-mail: Stephen.Wood@bromley.gov.uk

**Chief Officer:**       Mark Bowen, Director of Resources

**Ward:**                 N/A

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1.   Reason for report

To update the Audit Sub-Committee on progress with Matters Arising (Part 1) from previous meetings and noting any matters that are still outstanding.

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2.   **RECOMMENDATION(S)**

**To note and comment on progress with matters outstanding from previous meetings.**

**To recommend any action as deemed appropriate with respect to matters that have not been resolved.**

### Corporate Policy

1. Policy Status: Existing Policy:
  2. BBB Priority: Excellent Council
- 

### Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Democratic Services
  4. Total current budget for this head: £358,740
  5. Source of funding: 2019/2020 revenue budget
- 

### Staff

1. Number of staff (current and additional): 8 posts 6.79fte)
  2. If from existing staff resources, number of staff hours: Completion of "Matters Arising" reports for the Audit Sub Committee normally takes a few hours per meeting.
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### Legal

1. Legal Requirement: None:
  2. Call-in: Not Applicable:
- 

### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): This report is intended primarily for the benefit of members of the Audit Sub-Committee so that Committee Members can monitor progress made on matters that are outstanding.
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: N/A

### **3. COMMENTARY**

Attached is a schedule of matters outstanding from previous meetings of the Audit Sub Committee with a note of progress made. Most of these issues are taken up in more detail in the progress reports on the agenda (parts 1 and 2). Once an outstanding matter has been completed it will be removed from the schedule.

<b>Non-Applicable Sections:</b>	Policy/Financial/Legal/Personnel
Background Documents: (Access via Contact officer)	Previous Minutes of Audit Sub Committee.

## Appendix 1

Issue & Date	Summary	Update and/or Action being taken.	By	Completion date if known
<p><b>Minute 21 17<sup>th</sup> October 2019</b></p> <p><b>Internal Audit Progress Report</b></p> <p><b>Starters and Leavers</b></p>	<p>A Member stated that as the consensus of the Committee was that this was an urgent and serious matter, a referral should be made from the Audit Sub-Committee elsewhere for further discussion and action. Members discussed where the matter should be referred to and it was felt that the matter should probably be referred to <b>the Chief Executive.</b></p>	<p>On the 12th November 2019, the Head of Audit &amp; Assurance presented a paper to a meeting of the Corporate Leadership Team which was chaired by the Chief Executive. It made clear in the paper that at the Audit Sub Committee Meeting of 17th October, Members expressed their views on a number of priority one recommendations.</p> <p>Relevant extracts from the minutes were included in the paper and the audit review of Starters and Leavers had revealed many areas where management attention was required.</p> <p>It was followed by a discussion and a requirement from the Chief Executive that Directors and Heads of Service should deal with the recommendations as a priority.</p>	<p>Directors and Heads of Service</p>	<p>Completed</p>
<p><b>Minute 21 17<sup>th</sup> October 2019</b></p> <p><b>Internal Audit Progress Report</b></p> <p><b>Adult Mental Health Contract</b></p>	<p>Members were updated regarding progress made in implementing the 3 P1 recommendations identified in the June report regarding the management of the <b>Adult Mental Health Contract.</b></p> <p>It was anticipated that the final sign off of the Deed of Variation of the contract would take place imminently. However, Internal Audit would not close the recommendation until it was evidenced that the document was signed.</p>	<p>A copy of the agreement was received from the Head of Early Intervention on 15/11/19 with the signed, dated and sealed agreement attached.</p>	<p>Head of Early Intervention.</p>	<p>Completed</p>
<p><b>Minute 21 17<sup>th</sup> October 2019</b></p> <p><b>IAPR.</b></p> <p><b>Leaving Care Audit</b></p>	<p>The Audit Team would (with respect of the Leaving Care Audit) provide further information to the Committee regarding the nature of the <b>'BOXI' report.</b></p>	<p>BOXI is also known as 'Business Objects' and is the query and analysis reporting tool for CareFirst. BOXI reports are used widely by CareFirst users including the Finance, Commissioning and Performance teams.</p> <p>An update on the Priority 1 recommendation is included in the progress report.</p>	<p>Head of Audit and Assurance</p>	<p>Completed</p>

<p><b>Minute 21 17<sup>th</sup> October 2019</b></p> <p><b>IAPR.</b></p> <p><b>Licensing Audit</b></p>	<p>The Head of Audit and Assurance would investigate if any information was provided to the Licensing Team from the Planning Department in cases where planning permission was requested for a multiple bedroom property.</p>	<p>It has been confirmed that the Planning Department will continue to provide information in relation to large HMO's to Environmental Health Housing and now also Council Tax, where planning permission has been requested.</p> <p>Additionally, Environmental Health Housing will notify Council Tax of new HMO applications and a process procedure has been prepared by them. Council Tax will have reciprocal arrangement also. This process is also now in place as agreed by officers.</p>	<p>Planning Department</p> <p>Environmental Health Housing.</p>	<p>Closed.</p> <p>Closed.</p>
<p><b>Minute 21 17<sup>th</sup> October 2019</b></p> <p><b>IAPR.</b></p> <p><b>Strategic Property</b></p>	<p>Members would wait for the update on Strategic Property being provided to the ER&amp;C Committee in November, before deciding whether or not any officers should be asked to attend the Audit Sub-Committee</p>	<p>This matter is ongoing and an update will be provided at the meeting.</p>	<p>Head of Asset and Investment Management</p>	<p>Ongoing</p>
<p><b>Minute 21 17<sup>th</sup> October 2019</b></p> <p><b>IAPR.</b></p> <p><b>Objections to the Accounts</b></p>	<p>A Member stated that the matter was damaging to the Council's reputation and that steps should now be taken to resolve the matter urgently.</p>	<p>Auditors from KPMG met with the Director of Environment and Public Protection and the Chief Accountant on the 17th December.</p> <p>The Director has now provided further response to the questions that KPMG put, seeking greater detail around 15 of the responses that had originally been sent to them. There was some difficulty in achieving this as they are dealing with the accounts for 16/17 and key officers involved have left the authority.</p> <p>These were sent to KPMG on 29 January. At the meeting the Auditors were of the view that this process could take in the region of six months, as when they reach a provisional conclusion, a response has to go back to the original complainant and they have to be afforded time to comment further, there would then appear to a further iteration of this process.</p> <p>This is all subject to KPMG accepting the answers/information provided.</p>	<p>KPMG</p>	<p>Ongoing</p>
<p><b>Minute 21 17<sup>th</sup> October 2019</b></p>	<p>The Head of Audit and Assurance would (at the next meeting of the Corporate Health and Safety Group) check for full compliance</p>	<p>The issue was discussed at the meeting of the Corporate Health and Safety Group. Following this, the Director of HR and Customer</p>	<p>Director of HR</p>	

<b>IAPR.</b> <b>Health and Safety</b>	with the Health and Safety Act and report back to the Committee.	Services (who is the lead on Health and Safety) undertook to provide a response to the Committee. This is attached as an appendix.		
<b>Minute 21</b> <b>17<sup>th</sup> October</b> <b>2019</b> <b>IAPR.</b> <b>£1m Income Generation Plan</b>	An update is provided to the Committee regarding the £1m Income Generation Plan. This should include some firm figures concerning any income that has been generated.	This matter is ongoing and an update will be provided at the meeting.	Head of Asset and Investment Management	Head of Asset and Investment Management

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**Audit Sub Committee - Health & Safety**

Further to a Member question, I write to advise the following:-

- The Council is committed to fulfilling its legal obligations principally under The Health & Safety at Work Act 1974 and Management of Health and Safety Regulations 1999. The Council will use its best endeavour to find the right balance between any health & safety risks and competing resources.
- There are no significant health & safety related incidents/accidents, currently or in the recent past, requiring internal or/and external investigations, or health & safety prosecutions.
- Contractors e.g. Veolia, Liberata etc. are responsible for their staff and operations even though the Council has responsibility for premises occupied by contractors and their staff.
- The Council's estate is managed on its behalf by Amey as part of the outsourced facilities management contract. The Council monitors Amey's health & safety responsibility/compliance as part of the contract monitoring arrangements.
- Given that health & safety applies to everything we do and every operation/service, and in light of the comment in the first bullet point above, it is vitally important that we identify and resource the high risk issues first.
- To that end the key areas requiring improvement are as follows:-
  - General risk assessments
  - Fire risk assessments
  - General health & safety cultureThe first two were identified by the internal audit process and these are being addressed as a matter of priority.

- The governance arrangement currently in place is as follows:

- There is a Corporate Health & Safety Group chaired by the Director of HR & Customer Services, comprising representatives from all key services/divisions in the organisation and key contractors i.e. Veolia, Liberata and Amey. The Group provides corporate leadership steer on health & safety issues and feedback to the Corporate Leadership Team, chaired by the Chief Executive, on a regular basis, focusing on priority health & safety policies/procedures and high risks.
- Following the last corporate departmental restructuring by the Chief Executive, the 3 re-constituted departments, namely the Chief Executive's, People and Place Departments are firming up their departmental health & safety committees. The latter already has a well-established departmental health & safety committee chaired by a senior officer and comprising representatives of Veolia and other key relevant contractors responsible for environment services.
- Separately, health & safety is a standing agenda item in the quarterly meeting between the Unions and the Chief Executive and the Director of HR & Customer Services.
- In response to the gaps identified above (i.e. risk assessments), each of the 8 major divisions in the Council are required to identify a minimum of 4 priority risk assessments linked to the core business(es) of the division. This will be required every year as part of the business planning process. Every division, with the assistance of HR, has now identified their 4 priority risk assessments for the new financial year 2020/21. The deadline for completing the task i.e. carry out and complete the 4 risk assessments is 30<sup>th</sup> April 2020. This approach will create a 'do culture' because managers can see the clear link between the prioritised risk assessments and the business bottom line.
- The process has identified a couple of common risk assessments across the organisation, namely, a) lone working and b) dealing with aggressive customers/clients. Our approach on this is to commission a corporate piece of work on these common risk assessments for departments/divisions to incorporate department/divisional specifics or 'customise' to suit their specific needs. That way, resources will not be duplicated unnecessarily.



- Finally, there is a part-time corporate health & safety advisor post, as well as a graduate intern post and an apprentice role. The first 2 posts are being recruited into following recent resignations.

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Report No.  
FSD20025

London Borough of Bromley

PART ONE - PUBLIC

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

**Date:**                   **Wednesday 26 February 2020**

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

**Title:**                   **ANNUAL INTERNAL AUDIT PLAN 2020/21**

**Contact Officer:**     David Hogan, Head of Audit and Assurance  
Tel: 020 8313 4886   E-mail: [david.hogan@bromley.gov.uk](mailto:david.hogan@bromley.gov.uk)

**Chief Officer:**        Director of Finance

**Ward:**                   (All Wards);

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1. Reason for report

The Public Sector Internal Audit Standards (PSIAS) refer to the need to produce a risk based Internal Audit Plan. This should take into account the requirement to produce an annual audit opinion and report that can be used by the Council to inform the Annual Governance Statement. The annual audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. To support this, the risk based plan needs to include an appropriate and comprehensive range of work. This report sets out the approach to producing the draft audit plan and invites comments from Members.

It also includes Internal Audit's Charter which has been reviewed and updated in compliance with PSIAS.

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2. **RECOMMENDATION(S)**

2.1 That the 2020/21 Audit Plan is approved.

2.2 That the Internal Audit Charter is also approved.

## Impact on Vulnerable Adults and Children

1. Summary of Impact: None
- 

## 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: £535k including Internal and External Audit, Fraud Partnership, Insurance Management and Claims handling.
  5. Source of funding: General Fund, Admin Penalties, Legal cost recoveries
- 

## 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: 2020/21 940 audit days are proposed to be spent on the audit plan, fraud and investigations, excludes RB Greenwich time.
- 

## Legal

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

## Procurement

1. Summary of Procurement Implications: Some planned audits will have procurement implications.
- 

## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 100, including Chief Officers, 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 The Public Sector Internal Audit Standards 2017 define Internal Audit as follows:

‘Internal auditing is an independent, objective assurance and consultancy activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.’

3.2 The UK Public Sector Internal Audit Standards (PSIAS) that apply to central government, local government and the national health service in the UK states: ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control’. Heads of internal audit throughout the public sector provide an annual report with an overall opinion to help the organisation prepare a governance statement. To inform an overall annual opinion means the Annual Internal Audit Plan must strike a balance between breadth, taking a broad look at governance and risk management, and depth, drilling down into specific areas where internal audit can provide valuable insight.

3.3 The Council should agree an annual Internal Audit Plan that suits its specific and unique requirements. No formula exists that can be applied to determine the minimum level of coverage. To make an impact, the Internal Audit Plan needs to focus upon the most important objectives, which invariably means the most significant or highest priority risks. Where risk management is applied effectively and comprehensively by management, the key risks that have been identified become the focus of attention for annual internal audit planning. Up to date Risk Registers provide a useful starting point for planning comparing risks against Audit Coverage in recent year. We also reviewed the risks in the budget position Committee report to the Executive on 15<sup>th</sup> January.

3.4 The purpose of the Internal Audit Plan is to:-

- Optimise the use of limited resources
- Identify the key risks facing the Council to achieving its objectives and determine the corresponding level of resources.
- Ensure effective audit coverage of high risk areas and a mechanism to provide Members, governors, head teachers and senior managers with an overall opinion on the auditable areas and the overall control environment.
- Add value and support senior management in providing effective control and identifying opportunities for improvement.
- Supporting the Council’s nominated Section 151 Officer
- Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015.
- Allow flexibility to take on fraud and investigation work and areas of emerging risk.

3.5 The Audit Plan coverage is largely aimed at:

- The Chief Executive and Corporate Leadership Team
- Members and in particular those of the Audit Sub Committee

- Other managers throughout the Council
- Governors and head teachers of maintained schools still under LB Bromley control

3.6 For the audit plan covering 2020/21, the methodology adopted was:

- Consultation with Chief Officers, the Director of Finance and other senior officers
- Attendance at Departmental Management Team meetings where requested.
- Review of the refreshed Corporate and Directorate risk registers.
- Review of Horizon Scanning completed by Mazars on national challenges and opportunities facing local government.
- Review of reports and guidance from the National Cyber Security Centre, Cabinet Office and discussions with managers from ICT and Information Assurance.
- Identifying any areas that would require audit input as a result of legislation changes, government funding requirements or new areas for coverage where councils are now responsible.
- Issues arising from audits and audit investigations and specific management requests.
- Recognition of the changing structure of this organisation and the drive towards commissioning and transforming services.

3.7 The plan is attached in the document as Appendix A. In comparison to last year we are now proposing that the audit coverage for 2020/21 will be 940 days compared to 902 last year.

### **3.8 Internal Audit Charter**

The attached document Appendix B details Internal Audit's Charter which has been reviewed and updated in compliance with PSIAS. This defines Internal Audit's purpose, authority and responsibility. It establishes its position and clarifies its reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of Internal Audit activities. It covers the roles of audit staff and identifies the nature of professionalism, skills and experience required. It must be regularly reviewed and considered by the Audit Sub-Committee.

## **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 Adult Services.

## **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 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.

**9. PROCUREMENT IMPLICATIONS**

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

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

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# Internal Audit Strategy and Plan 2020/21

## DRAFT

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# 1. Introduction

Internal Audit provides independent and objective assurance to the Council through its Audit Sub-Committee to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

Internal Audit's objectives include supporting a positive culture of internal control improvement, effective risk management and good governance. The purpose, authority and responsibility of the internal audit activity are formally defined in the Internal Audit Charter, which will be periodically reviewed and presented to senior management and the Audit Sub-Committee for approval.

Internal Audit will provide the Council, through the Audit Sub-Committee, with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the organisation's agreed objectives. This opinion forms part of the framework of assurances that the Council receives and should be used to help inform the annual governance statement. Internal Audit also has an independent and objective advisory role to help line managers improve risk management, governance and control.

Internal Audit is a key component of corporate governance within the Council.

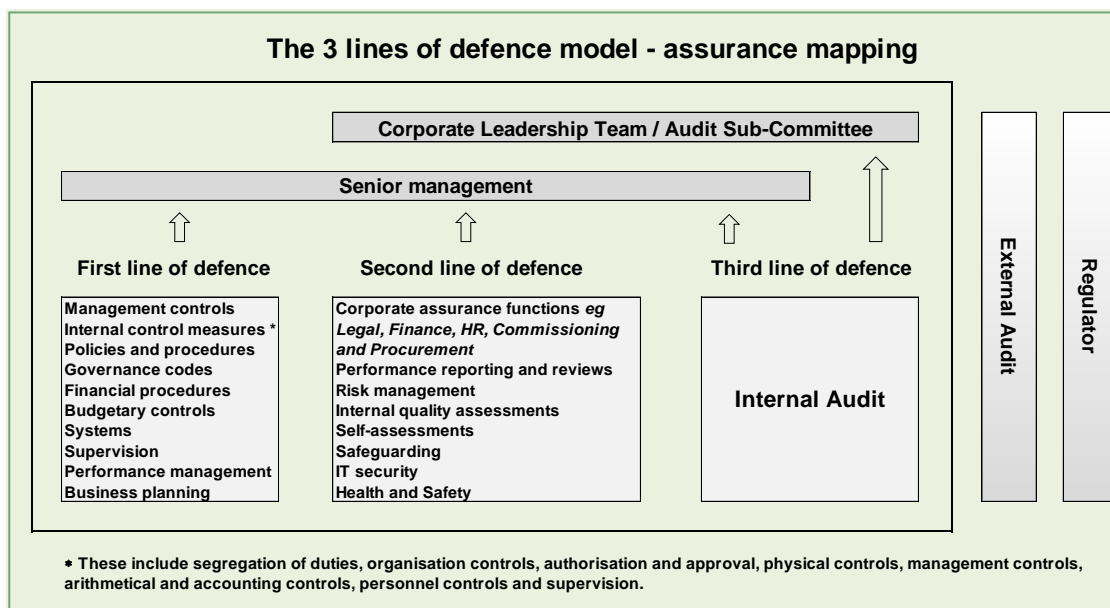
The three lines of defence model, as detailed below (Figure 1), provides a simple framework for understanding the role of Internal Audit in the overall risk management and internal control processes of an organisation:

- ▶ First line – operational management controls
- ▶ Second line – monitoring controls, e.g. the policy or system owner / sponsor
- ▶ Third line – independent assurance

The Council's third line of defence includes Internal Audit, who should provide independent assurance to senior management and the Audit Sub-Committee on how effectively the first and second lines of defence have been operating.

An independent Internal Audit function will, through its risk-based approach to work, provide assurance to the Council's Audit Sub-Committee and senior management on the higher risk and more complex areas of the Council's business, allowing management to focus on providing coverage of routine operations.

**Figure 1 – 3 Lines of Defence Model**



## 2. Internal Audit Plan 2020/21

Bromley Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance process, taking into account public sector internal auditing standards or guidance'.

Organisations in the UK public sector are required to adhere to the Public Sector Internal Audit Standards (the Standards).

The Standards require that the Chief Audit Executive (Head of Audit) 'establishes risk based plans to determine the priorities of the internal audit activity consistent with the organisation's goals'. When completing these plans, the Head of Audit should take account of the organisation's risk management framework. The plan should be adjusted and reviewed as necessary, in response to changes in the organisation's business, risk operations, programmes, systems and controls'. The plan must take account of the requirement to produce an internal opinion and assurance framework.

The Audit Plan is based on three principal sources of information – Risk Registers (Corporate Risks and Directorate based service risks), Internal Audit's risk analysis and management requests. In formulating the Audit Plan, the key Corporate risks and Directorate based risks have been considered.

This Audit Plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.

The Internal Audit function has a key role in helping management fully understand their risks and in designing effective and efficient controls which mitigate these risks to an acceptance level; a consistent application of a quality internal audit opinion assists the organisation to develop alternative and new delivery solutions which will deliver the service required.

The Audit Plan has been developed to enable us to respond to changes made during the year. Whilst every effort will be made to deliver the plan, it must be recognised that we need to be flexible and prepared to revise audit activity – responding to changing circumstances or emerging risks. **The plan is therefore a statement of intent** – our liaison meetings with senior management will enable us to firm up audit activity during the year.

We will aim to meet the following performance targets

Percentage of audit plan delivered *	90%
Percentage of P1/P2 & P3 recommendations accepted at final report stage	95%
Percentage of P1 recommendations followed up	100%
Completion of Internal Audit Annual Report and Opinion	By June Audit Sub-Committee
Completion of Internal Audit Plan for Audit Sub Committee Approval	By March Audit Sub Committee

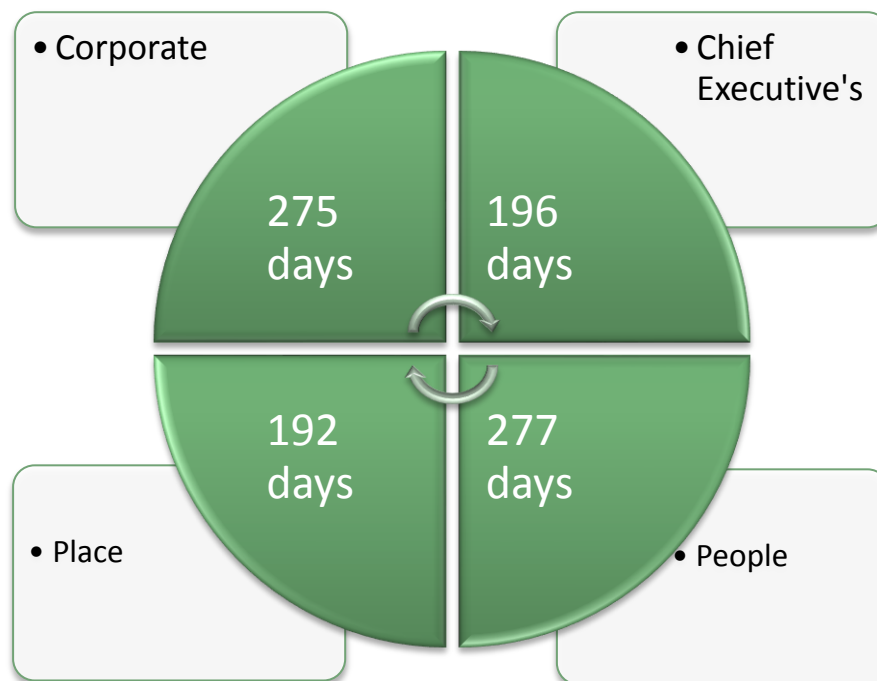
\*this will be the number of tasks completed as a percentage of planned tasks (adjusted for deferred/cancelled brought forward and carried forward tasks)

## 2.1 Internal Audit Plan coverage for 2020/21

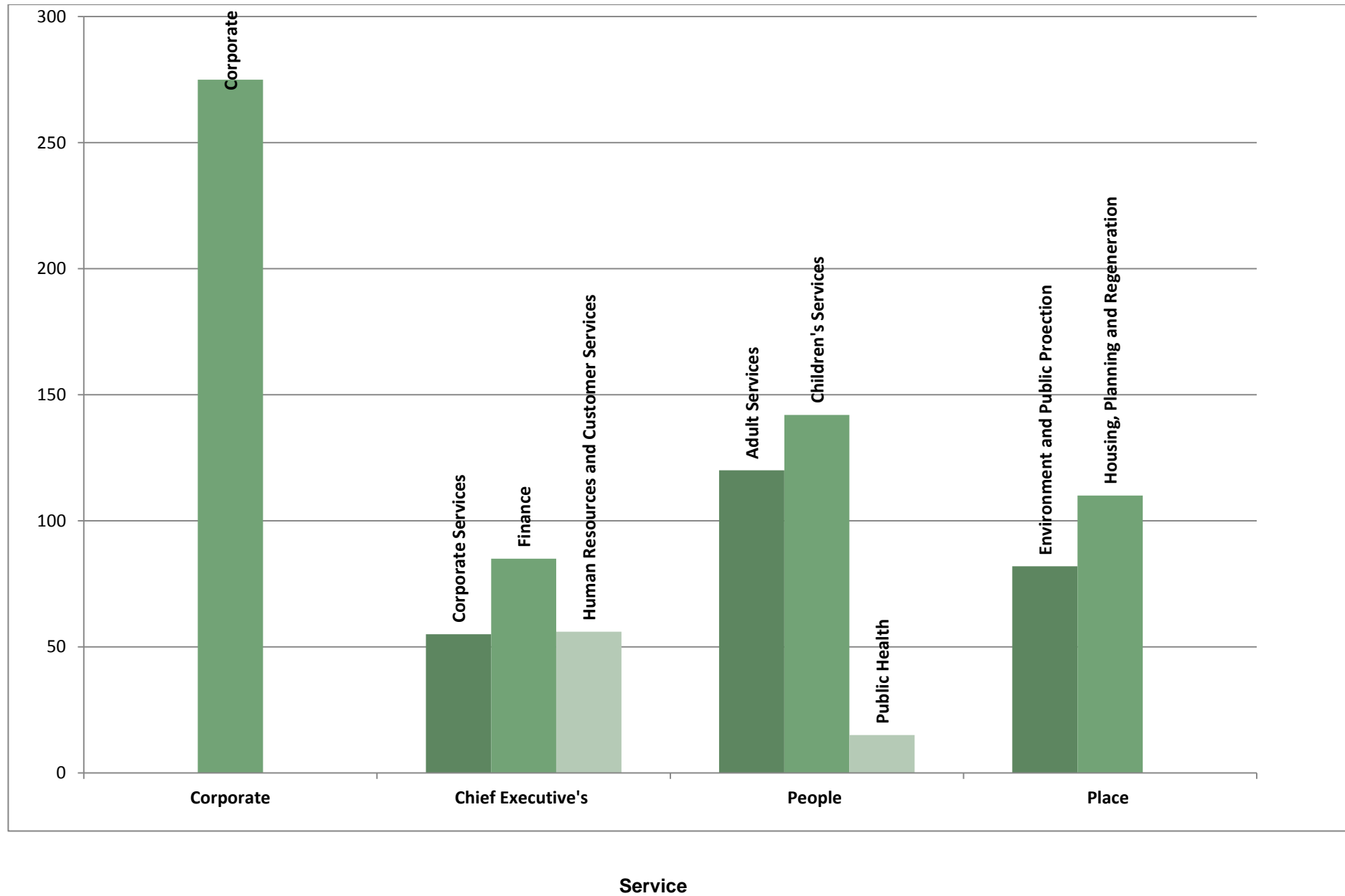
The Internal Audit Plan coverage for 2020/21 includes 940 direct days compared to 902 days in 2019/20. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority and, to this end, it will be regularly reviewed and updated as necessary to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector. In order to allow greater flexibility, the Internal Audit Plan includes a contingency to allow for unplanned work and a prudent vacancy provision has been allowed for.

Delivery of the Internal Audit Plan underpins the Building a Better Bromley priority of an 'Excellent Council' and the allocation of days is broken down by Directorate as depicted in Figure 2 below. The full Audit Plan can be found in Section 2.2 – 2.10.

**Figure 2 – Internal Audit Plan – Allocation of days by Department**



**Figure 3 – Internal Audit Plan – Allocation of days by Service**



## 2.2 Corporate

Division/Service	Audit Title	Days	Objective or Rationale
Cross Cutting/ CEX Lead	Information Governance and General Data Protection Regulations (GDPR)	10	Review of controls in place within Directorates to ensure that compliance with GDPR 2018 is effective
Cross Cutting Corporate Services Lead	FOI & Subject Access Requests	15	A review of the arrangements in place for processing Freedom of Information & Subject Access Requests
Cross Cutting Finance/HR/Legal Lead	Tax arrangement risk assessment following introduction of the Criminal Finances Act	10	Following HMRC guidance the review will form a risk assessment on controls and procedures in place to prevent tax evasion by individuals following introduction of the Criminal Finances Act and corporate tax offences.
Council wide	Provision for investigations into irregularities	60	Investigation into financial or governance irregularities which are reported or referred
Governance	National Fraud Initiative 2020	20	Provision to assist Council meets its statutory obligations including dataset uploads and distribution/investigation of matches
Governance	Follow up and implementation of higher priority recommendations	45	Ensuring implementation of priority recommendations
Governance	Provision of training	10	Providing advice and on-line training on risk, control and governance.
Governance	Internal Audit External Quality Assessment	10	Provision for time to carry out self assessment EQA prior to external assessment, and to review another authority if the London Wide Peer Review is the chosen option.
Governance	External liaison with other authorities and agencies	10	Effective contributions to regional or national initiatives
Governance	Audit Report and Internal Audit Plan	10	Strategic evaluation of outcomes and trends to advise Management leading to effective planning and prioritisation of resources for current and future years

Corporate (Page 2)	Governance	Risk Management	60	Provision for work supporting the Council's approach to risk management including risk register maintenance
	Governance	Annual Governance Statement	15	Co-ordinating the production of the Annual Governance Statement ensuring the Council's statutory obligations are met
	<b>Corporate Total</b>		<b>275</b>	



## 2.3 Chief Executive's – Corporate Services

	Division/Service	Audit Title	Days	Objective or Rationale
Chief Executive's – Corporate Services (Page 1)	ICT	Delivery of ICT Strategy	15	Following the roll out of new IT equipment ensure that implementation of the IT strategy is being managed effectively. This will include a review of the financial management and governance controls
	ICT	IT Asset Register	10	A review of the management of IT assets following the roll out of new IT equipment. This will include the arrangements for maintaining the accuracy and completeness of the IT asset register.
	Commissioning	Insurance Arrangements in commissioned and contracted out services	10	A review of arrangements for establishing insurance requirements in contracts and the process for evidencing and monitoring those requirements.
	Corporate Services	Contingency allowance for advice, guidance and provision for assurance work on emerging risk	10	Provision for work involving risk areas which are unknown at present but are likely to emerge in 2020/21
	Corporate Services	Work in progress from 2019/20 carried forward	10	Provision for completion of work from 2019/20 which is in progress at year end
	<b>Corporate Services Total</b>			<b>55</b>

## 2.4 Chief Executive's – Finance

	Division/Service	Audit Title	Days	Objective or Rationale
Chief Executive's – Finance (Page 1)	Finance Key Financial System	Creditors	10	Review governance and ensure controls are satisfactory to mitigate risk. Coverage and scope will be discussed with management, taking account of previous internal audit work and known issues
	Finance Key Financial System	Housing Benefit	15	Review of the Housing Benefit system including the operation of the newly introduced Risk Based Verification Framework.
	Finance System	Procurement Cards	10	Follow up review. Coverage and scope will be discussed with management, taking account of issues raised in 2019/20 Audit
	Finance/Corporate	Imprest Accounts and Petty Cash	10	Review of arrangements for holding, recording and reimbursing. Identify types of expenditure to ensure appropriate and in compliance with established rules. Identify whether expenditure should be processed through other more efficient systems.
	Finance	Value Added Tax	15	Review of VAT including the implementation of HMRC's "Making Tax Digital" scheme. Also a review of the arrangements to monitor the Council's Partial Exemption Limit.
	Finance	Contingency allowance for advice, guidance and provision for assurance work on emerging risk	10	Provision for work involving risk areas which are unknown at present but are likely to emerge in 2020/21
	Finance	Work in progress from 2019/20 carried forward	15	Provision for completion of work from 2019/20 which is in progress at year end
	<b>Finance Total</b>			<b>85</b>

## 2.5 Chief Executive's – Human Resources and Customer Services

	Division/Service	Audit Title	Days	Objective or Rationale
Chief Executive's – Human Resources and Customer Services (Page 1)	Human Resources (Key Financial System)	Payroll	15	A review of controls to record and process tax including Benefits in Kind and reporting to HMRC.
	Human Resources	Merit Reward Scheme	10	A review of the controls over the merit rewards scheme. This will include the governance and operation of the scheme and the reporting arrangements. For a sample of annual merit rewards we will examine the evidence in the annual staff appraisal scheme and the completeness and integration of that reporting process.
	Human Resources	Essential Car Users Scheme	10	A review of the controls in place for the essential car users' scheme. This will include users' insurance arrangements, verification of eligibility to drive and an examination of claims made
	Human Resources and Customer Services	Contingency allowance for advice, guidance and provision for assurance work on emerging risk	10	Provision for work involving risk areas which are unknown at present but are likely to emerge in 2020/21
	Human Resources and Customer Services	Work in progress from 2019/20 carried forward	11	Provision for completion of work from 2019/20 which is in progress at year end
	<b>Human Resources and Customer Services Total</b>			<b>56</b>

## 2.6 People – Adult Services

	Division/Service	Audit Title	Days	Objective or Rationale
People - (Adult Services (Page 1)	Adult Social Care	Blue Badge Scheme	15	Review of the system for establishing the management of the scheme including eligibility assessment, issue and control of badges.
	Adult Social Care	Financial Assessments	20	To review the contract management and monitoring of the contract to complete and review financial assessments. To include the process for debt recovery and write offs.
	Adult Social Care	Learning Disability Supported Living schemes	15	To review the contract management and monitoring of the contracts to provide supported living schemes.
	Adult Social Care	Discharge to Assess	15	Review the controls in place to deliver the Discharge to Assess service in which dedicated providers help reduce delayed transfers of care following the change to the service model.
	Adult Social Care	Direct Payment Pre Paid Cards	10	Review of the operation of the new contract and scheme introduced in September 2019.
	Adult Social Care	Deprivation of Liberty (DOLS)	15	A review of the service which continues to increase and preparations for the change in legislation to the new Liberty Protection Safeguards which is expected to increase the numbers further.
	Adult Services	Contingency allowance for advice, guidance and provision for assurance work on emerging risk	10	Provision for work involving risk areas which are unknown at present but are likely to emerge in 2020/21
	Adult Services	Work in progress from 2019/20 carried forward	20	Provision for completion of work from 2019/20 which is in progress at year end
	<b>Adult Services Total</b>			<b>120</b>

## 2.7 People – Children’s Services

	Division/Service	Audit Title	Days	Objective or Rationale
People – Children’s Services (Page 1)	Children’s Social Care	Virtual School	15	A review of the operation of the Virtual School including the new duties arising from the Social work Act and the increased demands on the service.
	Children’s Social Care	Troubled Families Claim	12	Verification work to confirm identified troubled families have been 'turned around' as per the grant conditions
	Children’s Social Care	Pre- Paid Cards	12	Review of the operation of the new contract and scheme introduced in September 2019, Direct Payments for Children and Pre Paid Cards for service users in No Recourse to Public Funds and Leaving Care Teams.
	Education	Marjorie McClure Special School	4	To review the adequacy and effectiveness of the system of controls surrounding the financial administration of the school
	Education	Poverest Primary School	4	To review the adequacy and effectiveness of the system of controls surrounding the financial administration of the school
	Education	Downe Primary School	4	To review the adequacy and effectiveness of the system of controls surrounding the financial administration of the school
	Education	St Olaves Grammar School	6	To review the adequacy and effectiveness of the system of controls surrounding the financial administration of the school and to follow up previous audit recommendations.
	Education	SEND Reforms	20	Following the recent Ofsted complete review of controls in place to assess service users, eligibility criteria and review process
	Education	Adult Education	15	A review of systems for student funding and income and to consider the controls in place for the new IT system TERMS.
	Education	Schools Admissions	15	A review of the system to process applications, evidence supporting documentation to verify eligibility and issue of offer letters.

People – Children’s Services (Page 2)	Strategy and Transformation	Social Care Management system replacement	5	Access to audit capacity to ensure that the new social care management system is set up in such a way that it learns from findings in previous audits. This may include control objectives in case management and workflow particularly where there are financial transactions to be agreed/authorised.
	Children’s Services	Contingency allowance for advice, guidance and provision for assurance work on emerging risk	10	Provision for work involving risk areas which are unknown at present but are likely to emerge in 2020/21
	Children’s Services	Work in progress from 2019/20 carried forward	20	Provision for completion of work from 2019/20 which is in progress at year end
	<b>Children’s Services Total</b>		<b>142</b>	

## 2.8 People – Public Health

	Division/Service	Audit Title	Days	Objective or Rationale
People – Public Health (Page 1)	Public Health	0-19 Public Health Nursing Service	10	Review governance and management of the contract to ensure controls are satisfactory and mitigate risk
	Public Health	Contingency allowance for advice, guidance and provision for assurance work on emerging risk	5	Provision for work involving risk areas which are unknown at present but are likely to emerge in 2020/21
	<b>Public Health Total</b>		<b>15</b>	

## 2.9 Place – Environment and Public Protection

	Division/Service	Audit Title	Days	Objective or Rationale
Place – Environment and Public Protection (Page 1)	Highways	Local Transport Capital Block Funding (Integrated Transport and Highway maintenance) Specific grant determination	5	To carry out work as required to confirm the conditions attached to the Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance) Specific Grant Determination have been complied with
	Public Protection	Dogs and Pest Contract	10	Review governance and management of the contract to ensure controls are satisfactory and mitigate risk
	Public Protection	Mortuary	10	Following introduction of new contract review governance and management of the contract to ensure controls are satisfactory and mitigate risk
	Highways	Drainage cleaning	12	Review the governance of the contract to ensure controls are satisfactory to mitigate risk.
	Environment	Contract Monitoring Environmental Services Contracts	15	A qualitative review of contract monitoring information for Environmental Services Contracts
	Environment and Public Protection	Contingency allowance for advice, guidance and provision for assurance work on emerging risk	10	Provision for work involving risk areas which are unknown at present but are likely to emerge in 2020/21
	Environment and Public Protection	Work in progress from 2019/20 carried forward	20	Provision for completion of work from 2019/20 which is in progress at year end
	<b>Environment and Public Protection Total</b>		<b>82</b>	



## 2.10 Place – Housing, Planning and Regeneration

	Division/Service	Audit Title	Days	Objective or Rationale
Place – Housing, Planning and Regeneration - (Page 1)	Housing	Temporary Accommodation and Housing Rents	15	Following introduction of new Housing System review of Rent Collection procedures operated by Liberata
	Housing	Housing Needs Early intervention & advice	10	Review of controls in place to prevent Homelessness and diversion to alternative Housing Options
	Housing	Integration and Better Care Fund: The Disabled Facilities Capital Grant (DFG) determination	5	To carry out work as required to confirm the conditions attached to the Disabled Facilities Capital Grant Determination have been complied with
	Planning	Planning process	15	Review of the controls within the planning application, permissions and approval process including fee income and performance information.
	Planning	Building Control	15	Review of the controls within the Building Control application, inspection and approval process including performance information.
	Strategic property	Commercial and non office owned Property	15	Review of controls to ensure that the Council is meeting its landlord's responsibilities including rent reviews, insurance and inspection arrangements.
	Housing, Planning and Regeneration	Contingency allowance for advice, guidance and provision for assurance work on emerging risk	15	Provision for work involving risk areas which are unknown at present but are likely to emerge in 2020/21
	Housing, Planning and Regeneration	Work in progress from 2019/20 carried forward	20	Provision for completion of work from 2019/20 which is in progress at year end
		<b>Housing, Planning and Regeneration</b>		<b>110</b>

<b>Annual Plan Total</b>	<b>940</b>	
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# Internal Audit Charter

## February 2020

## Internal Audit Charter

### 3.1 Purpose

Internal auditing is an independent, objective assurance and consulting activity designed to add value to improve the London Borough of Bromley's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit is a statutory requirement. The Accounts and Audit Regulations 2015 require the Council as a "relevant body" to maintain an "adequate and effective system of internal audit of their accounting records and control systems".

The Public Sector Internal Audit Standards (PSIAS) set down the scope, powers and responsibilities of internal audit functions and internal auditors. Internal Audit supports the Director of Finance in undertaking statutory responsibilities for the proper administration of the Council's financial affairs and for reporting unlawful actions under the Local Government Act 1972 Section 151. The Accounts and Audit Regulations (2015) specifically require the provision of an internal audit service.

### 3.2 Authority

Internal Audit, with strict accountability for confidentiality and the safeguarding of records and information, is authorised full unrestricted access to any and all of the organisation's records, physical properties, assets and personnel pertinent to carrying out any engagement. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. The Head of Audit and Assurance will also have unrestricted access to the Chief Executive and the Chairman of the Audit Sub-Committee.

To enable the external auditors to discharge their responsibilities, Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised.

### 3.3 Responsibility

The Head of Audit and Assurance provides an annual opinion in the Annual Governance Statement to the Council and to the Section 151 Officer, through the Audit Sub-Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. To achieve this, Internal Audit has the following objectives:

- ▶ Provision of an independent and objective audit service that effectively meets the Council's needs, adds value, improves controls and helps protect public resources,
- ▶ Assure management that the Council's business is being conducted in accordance with statutory requirement, internal regulations and procedures,
- ▶ To impact on the effectiveness of governance, risk management and internal control of the organisation,
- ▶ Provision of advice and support to management to enable an effective control environment to be maintained,
- ▶ To promote, in conjunction with the Royal Borough of Greenwich, an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud,
- ▶ To investigate, in conjunction with the Royal Borough of Greenwich, allegations of fraud, bribery and corruption,

- ▶ Co-ordinating the National Fraud Initiative (NFI) exercises for the Council,
- ▶ Liaising with and advising the Royal Borough of Greenwich about other proactive exercises to identify fraud,
- ▶ Advising on and carrying out, as required, the investigation of suspected irregularities and advising on the appropriate action to be taken,
- ▶ Provision of relevant training , fraud awareness, audit controls on key findings and risk management..

Sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal Audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance.

### Counter fraud

The role of Internal Audit in relation to Counter Fraud is set out in the Anti-Fraud and Corruption Strategy. Internal Audit may assist or lead in the identification and investigation of suspected fraudulent activity in conjunction with its partnership with the Royal Borough of Greenwich Fraud Team. This may include referrals through the Council's Whistleblowing Policy (Raising Concerns), the National Fraud Initiative, or matters identified in the course of audit work. The outcomes of counter fraud work are communicated to the Audit Sub-Committee and senior management where appropriate.

### Risk management

Internal Audit is responsible for co-ordinating risk management work and developing the risk management approach with the Corporate Risk Management Group. These roles, together with authoring risk reports and providing advice, are legitimate roles for Internal Audit so long as safeguards are in place. The Chartered Institute of Internal Auditors' position paper on 'The role of internal audit in Enterprise-wide Risk Management' defines what is considered legitimate. These include:

- Ensuring that overall responsibility for risk management sits with the Corporate Leadership Team, Directors and the Audit Sub-Committee,
- A resource to provide risk management services is made available and reported in the audit plan, agreed by the Audit Sub-Committee,
- Internal Audit do not set the risk appetite for the Council, or take operational responsibility for risk actions and
- Any review or internal audit of the effectiveness of the risk management process will be undertaken independently. This enables independent assurance to be provided to the Audit Sub-Committee.

### Insurance

The Head of Audit and Assurance has line management responsibility for the Insurance service. This is a separate service to the Internal Audit function. Any audit of Insurance will be audited independently and reported to the Director of Finance.

### Advice and consultancy

Internal Audit resources may, occasionally, be better focussed on providing advice and consultancy reviews rather than assurance. Consultancy activities (eg guidance, advice and training) carried out are intended to improve governance, risk management and control processes and add value.

## Management responsibilities

Internal Audit requires the full co-operation of senior management if it is to be effective. In approval of this Charter, the Audit Sub-Committee and the Director of Finance require management to co-operate with Internal Audit in the delivery of their work. This includes, but is not limited to, agreeing the terms of reference for audit assignments, providing access to appropriate records, systems and personnel, responding to draft reports and implementing audit recommendations in line with agreed timescales.

Senior management will also update the Head of Audit and Assurance of significant proposed changes to systems, processes, organisation structures, newly identified significant risks and cases of suspected or detected fraud, impropriety or corruption.

Senior management will also ensure that Internal Audit has sufficient resources to fulfil the Annual Audit Plan agreed by the Audit Sub-Committee.

### 3.4 Due professional care

In carrying out our Internal Audit work we are bound by the requirements of:

- UK Public Sector Internal Audit Standards,
- Chartered Institute of Internal Audit's Code of Ethics and
- All Council policies and procedures,
- Bromley's Code of Corporate Governance,
- All relevant legislation,
- Seven Principles of Public Life (Nolan Principles),
- Bromley's Financial Regulations and Contract Procedure Rules.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies.

### 3.5 Independence

The Head of Audit has free and unfettered access to the following:

- Chief Executive,
- Director of Finance,
- Monitoring Officer (who is the Director of Corporate Services),
- Chairman of the Audit Sub-Committee and
- Chief Officers

Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not compromised in the event of any potential conflicts of interest.

### 3.6 Reporting

The UK Public Sector Internal Audit Standards require the Head of Audit to report at the top of the organisation and this is done in the following ways:

- ▶ The Internal Audit Charter and any amendments to it are reported to the Audit Sub-Committee for formal approval annually,

- ▶ The annual Internal Audit Plan is compiled by the Head of Audit and Assurance taking account of the Council's risk framework and after input from Senior Management. It is then presented to the Audit Sub-Committee for formal approval. The Internal Audit Plan includes timing as well as budget resource requirements for the financial year,
- ▶ The Internal Audit budget is reported to Members and Full Council for approval annually as part of the overall Council budget,
- ▶ The adequacy, or otherwise, of the level of Internal Audit resources (as determined by the Head of Audit and Assurance) and the independence of Internal Audit will be reported annually to the Audit Sub-Committee,
- ▶ Performance against the Internal Audit Plan and any significant risk and control issues arising from audit work are reported to the Audit Sub-Committee periodically. Any significant deviation from the approved Internal Audit Plan will be communicated through this reporting process,
- ▶ Any significant unplanned activity not included in the Audit Plan and which might affect the level of assurance work undertaken will be reported to the Audit Sub-Committee,
- ▶ Any significant findings from Internal Audit's Quality Assurance and Improvement Programme will be reported to the Audit Sub-Committee.

Management will receive a timely written report at the conclusion of each Internal Audit engagement which:

- will have a short management summary,
- will detail any matters of significance that have arisen with priority one issues highlighted,
- will provide an opinion of the adequacy of controls reviewed with one of four assurance opinions given i.e. substantial, reasonable, limited or no assurance,
- will recommend practical ways in which system weaknesses can be addressed.

The distribution of reports will be set out within the terms of reference issued prior to an audit. In the event of major findings, these are reported to Chief Officers, the Chief Executive and Audit Sub-Committee.

### 3.7 External Auditors

Internal Audit will closely liaise with the external auditors to ensure maximum coverage, non duplication of audit coverage, sharing of information and the placement of reliance on Internal Audit work.

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Report No.  
FSD20020

## London Borough of Bromley

### PART ONE - PUBLIC

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

**Date:**                   **Wednesday 26 February 2020**

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

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

**Contact Officer:**       David Hogan, Head of Audit and Assurance  
Tel: 020 8313 4886   E-mail: [david.hogan@bromley.gov.uk](mailto:david.hogan@bromley.gov.uk)

**Chief Officer:**        Director of Finance

**Ward:**                   (All Wards);

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1.    Reason for report

This report informs Members of recent activity across the Council and provides updates on matters arising from the last Audit Sub Committee. It covers:-

- 3.2    Audit Activity (Key Findings)
- 3.2.1    Audit Activity (Priority 1 Commentary)
- 3.2.2    Audit Report Summaries
- 3.4.3    Audit Activity (Other work)
- 3.4    Publication of Internal Audit Reports
- 3.5    Risk Management

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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

### 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
- 

### 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: £535k including Internal Audit and External Audit, Fraud Partnership, Insurance Management and Claims handling
  5. Source of funding: General Fund/Legal Cost recoveries
- 

### Personnel

1. Number of staff (current and additional): 7.5 FTE, including 1 FTE Insurance and Risk Manager
  2. If from existing staff resources, number of staff hours: 2019/20 – 902 days are proposed to be spent on the audit plan, fraud and investigations – excludes RB Greenwich investigators' time.
- 

### Legal

1. Legal Requirement: Statutory Requirement None:
  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 Audit Activity (Key Findings)

3.2.1 The latest list of outstanding Priority 1 recommendations is shown in 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 and these are detailed below.

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

#### 3.2.3 Transformation Strategy

Audit opinion	Substantial
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3.2.4 The overall objective of the audit was to review whether the governance processes were in place to support the Transformation Programme and whether controls existed to monitor and report on high level programme delivery, as well as verifying the Council's processes for gaining assurance over the progress of the six transformation work streams that sit underneath the Transformation Board.

3.2.5 Controls noted to be in place and working effectively included a documented Transformation Programme which identifies the strategic principles underlying the programme and outlines the governance structure and a Transformation Programme Project Initiation Document (PID). There is also a Transforming Bromley Road Map which outlines the Bromley Vision and sets out seven roles for the Council and its six work streams.

3.2.6 The Transformation Programme Board meets regularly, tracks progress against the programme plan and reports to the Executive of the Council. The evidence available helped to demonstrate that it is working towards its objective. There is an identified Project Sponsor (the appropriate Director), a Programme Manager and Project Board Support for each of the

six work streams. Controls are in place in respect of the individual work streams and a framework has been developed which identifies steps for effective change management.

- 3.2.7 There are two areas where management attention is required. The PID specifies the officer support for each work stream, but the Finance support for Housing, Regeneration and Planning and the stated Programme Managers for Adult Social Care and Professional Services were incorrect.
- 3.2.8 The Transforming Bromley intranet page includes the PID dated July 2019 rather than the version which was updated in September 2019 to allow for changes to the membership of the Transformation Programme Board.

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

**3.2.9 Council Tax**

Audit opinion	Reasonable
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- 3.2.10 The overall objective of the audit was to review governance and ensure controls are satisfactory to mitigate risk. The audit looked to review the key controls around the management of Council Tax. Coverage included examination of: policies, procedures and training; annual billing; amendments to the valuation list; amendments to account details; receipting of income; suspense account; reductions and disregards; refunds; arrears and write-offs.
- 3.2.11 Controls were identified to be working well in the areas tested however the audit raised two priority 2 recommendations relating to Data Protection and authorisation of write off. The Discretionary Council Tax Claim form available on the Council’s website should be updated to ensure it is compliant with the Data Protection Act 2018. For a sample of 10 write off forms, 6 had been authorised by the client team over a month after submission. A recent appointment to the new Revenues Monitoring Officer will monitor the timeliness of the authorisation of write off batches.
- 3.2.12 A priority 3 recommendation was raised relating to the complaints procedure. It had been previously identified that there was insufficient information retained to support how complaints had been processed. Updated procedures have been included in the Exchequer Services Overarching Specification, commencing with the contract renewal in April 2020.

	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	1	1	0

### 3.2.13 Deferred Payments

Audit opinion	Reasonable
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3.2.14 The overall objective of the audit was to review the process to apply a deferred payment arrangement regarding property for clients placed in residential placements.

3.2.15 We have made six recommendations, four Priority 2 recommendations and two Priority 3 recommendations to improve the control environment. These related to :-

- Deferred Payment Policy & Agreement was in need of review and areas identified included within the documents.
- Carefirst Records were not consistently recorded in the same way.
- Letters to the service user / representative were not always clear and in some cases contained errors.
- Delays in progressing the Deferred Payment Agreements, which in some cases, resulted in complaints being raised by the service user/ representative and compensation payments.
- Clarity required in relation to the administrative charges and interest.
- Outstanding deferred payment amounts.

3.2.16 These 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	4	4	0
Priority 3	2	2	0

### 3.2.17 Business Continuity and Emergency Planning 2 New Priority 1's

Audit opinion	Limited
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- 3.2.18 The overall objective of the audit was to review the key controls around management of the Business Continuity and Emergency Planning and to review the existing controls to mitigate risk of failing to maintain robust Business Continuity and Emergency Planning arrangements.
- 3.2.19 Controls noted to be in place and working effectively included the Emergency Planning and Corporate Resilience (EPCR) Lead chairs the Bromley Borough Resilience Forum and reports to the South East Sub-Regional Resilience Programme Board and the Local Authorities Panel – Implementation Group, which helps ensure emergency preparedness for the whole of London.
- 3.2.20 Emergency Centre Plans and a Community Risk Register were found to be in place. The Corporate Resilience Team had taken mitigating actions in preparation for the Resilience Standards for Local Governments audit. The Business Continuity Policy and Management Strategy highlights the roles and responsibilities of key members of staff. Standardisation Programme training was provided by EPCR Lead and regular table top exercises are completed.
- 3.2.21 There are a few areas where management attention is required. Not all Business Continuity Plans had been fully completed, resulting in the delay in rounds of testing and exercising. Therefore, the functionality and effectiveness of plans have not been established, potentially limiting their reliability in a real life scenario. None of the plans had received final approval from the respective departmental Director.
- 3.2.22 The Business Continuity Policy and Strategy Statement had not yet received final approval from the Chief Executive. We found that business continuity was not incorporated into the staff induction process, e-mail bulletins, 'onebromley' webpages, and staff development training sessions. It is proposed in the Business Continuity Policy and Strategy Statement that Business Continuity and Emergency Planning should be a consistent agenda item at Executive meetings. However, this proposal had not yet been enacted.
- 3.2.23 Following the audit all service areas now have a current Business Continuity (BC) plan. An overarching document identifying the priorities of services has been agreed at Chief Officer Executive. A corporate Business Continuity and Strategy document has been agreed by the Leader and the Chief Executive, with the Corporate Leadership team now implementing the BC programme. The recommendations made are being progressed and subject to regular review.

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

### 3.2.24 Procurement Cards 3 New Priority 1's

Audit opinion	Limited
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- 3.2.25 The overall objective of the audit was to review the governance arrangements for procurement cards and ensure that the controls in place are operating satisfactorily to mitigate risks.
- 3.2.26 Controls noted to be in place and working effectively included the Cardholder Agreement Form being signed and dated by employees when they are issued with a procurement card.
- 3.2.27 Overall we found that controls were either not in place or not working effectively in a number of areas. The responsibility and accountability of the various parties involved in the procurement card system had not been clarified and agreed. We could not find a signed copy of the contract between the Council and the Council's banking provider for the procurement card scheme or a completed contract award document.
- 3.2.28 Our testing identified instances where procurement cards had been used to purchase gifts and meals for individuals and teams. We questioned the appropriateness of cards being used in that way and identified that there were related tax and National Insurance Contributions (NIC) which had not been paid. This is considered in more detail in the next item and a separate report was issued. A large number of procurement card transactions had not been submitted and/or approved timely. We also identified split transactions and transactions where VAT was either not reclaimed or had been claimed incorrectly and supporting documents to reclaim VAT on a number of purchases were either missing, or did not have the VAT correctly accounted for.
- 3.2.29 We also identified issues relating to the recording of information on the procurement card system and the awareness of management information reports which card holders and approvers can run. The procurement card policy and procedures need to be revised and re-issued, taking into account the findings from this audit. The Council's policy on travel and subsistence is dated 2013 and needs to be reviewed and updated, including the subsistence rates. Guidance to a card holder receiving a procurement card was not provided and the approved requests for cards were not retained.
- 3.2.30 Since the issue of the audit report we are aware that a number of the above issues have been addressed by management, with appropriate actions implemented. We have included a further full audit on purchase cards in the 2020/21 Audit Plan.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	3	3	0
Priority 2	7	7	0
Priority 3	0	0	0

### 3.2.31 Tax and National Insurance Contributions (NIC) 2 New Priority 1's

Audit opinion	Not given because we did not assessed the full range of controls in this area
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3.2.32 Our audit of procurement cards identified instances where procurement cards have been used to purchase a 'thank you' meal for officers at the end of a major project, gifts for individuals to celebrate long service, team meals and a gift card as part of the merit award scheme. Tax and NIC was payable on these but we found no evidence that it had been paid, either by the Council or as a declaration by the individuals who received the 'benefit in kind'.

3.2.33 The PAYE Settlement Agreement (PSA) which the Council has arranged with HMRC only includes merit award scheme payments. Therefore the Council has had to seek permission from HMRC to pay the tax and NIC due on these gifts and meals, together with any penalty charge arising.

3.2.34 When reviewing documentation relating to the PSA for merit awards we also identified merit awards made to individuals who are not permanent employees of the Council eg agency staff and contractors. No tax or NIC had been paid on these. Our research concluded that tax and NIC is payable on these awards and this was confirmed by the Council's tax advisors. Therefore, arrangements to pay the tax and NIC to HMRC are now being made.

3.2.35 Finally, our findings indicated that there was a lack of awareness of the implications of tax and NIC for staff purchasing items or meals which may fall within the 'benefit in kind' regulations set out by HMRC. Management have agreed to address this. We have included an audit which covers tax arrangements on Benefits in Kind in the 2020/21 Audit Plan.

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

### 3.2.36 Substance Misuse Services

Audit opinion	Substantial
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3.2.37 The overall objective of the audit was to review the Substance Misuse contract including spot purchasing for residential detox and rehabilitation, needle exchange schemes and supervised administration of methadone (SAM) delivered by pharmacists.

3.2.38 We have made one Priority 3 recommendation to improve the control environment. This related to ensuring that an official order has been raised prior to receipt of the invoice to ensure that financial commitments are accurately reflected in the budget monitoring.

3.2.39 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	0	0	0
Priority 3	1	1	0

### 3.2.40 Main Accounting System and General Ledger 2019/20

Audit opinion	Reasonable
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- 3.2.41 The overall objective of the audit was to review a number of key activities performed by the Accounting, Technical & Control and Financial Information Systems Teams and to assess the design and operating effectiveness of associated controls with these processes.
- 3.2.42 Controls noted to be in place and working effectively included the access of local procedure documents to the Council's Finance staff and the delegation of responsibilities for specific tasks.
- 3.2.43 It was noted that the Cost centres and Account codes were created following the correct procedures. The budget virements were supported by documentation and had been authorised in accordance with the Council's Financial Regulations and Procedures. Only balanced journals are permitted to be posted onto the Oracle system
- 3.2.44 It was noted that and the Council's Error Code Suspense account is cleared timely. The Full Budget Monitoring (FBM) system enables budget managers to perform monthly monitoring and a quarterly review of the Council's budget is presented at meetings of the Council's Executive and PDS committees.
- 3.2.45 There are a few areas where management attention is required. The Council's Financial Regulations and Procedures need to be reviewed. This is currently being undertaken by Internal Audit as part of the Audit Plan for this year. The results of quarterly journal testing within the Finance teams should be retained and the Finance Team should maintain a log of their control account reconciliations. There was no independent review or oversight of the reconciliations performed of the control accounts. Management have accepted the recommendations.

	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	2	2	0

### 3.2.46 Schools Finance Team (SFT) – New Priority 1

Audit opinion	Limited for the Council’s contract management
	Reasonable for the Exchequer contractor

3.2.47 The overall objective of the audit was to review governance and management of the contract to ensure controls are satisfactory and mitigate risk and to consider the resilience of the team to deliver the school finance element of the Exchequer Services contract.

3.2.48 Historically the SFT function was managed in-house however it is now outsourced to the Council’s Exchequer Services Contractor. The Council staff that facilitated this role was TUPE transferred across to aid consistency. A Service Level Agreement (SLA) is in place at a cost of circa £70kp.a.

3.2.49 During the scoping meeting it was established that arrangements were not managed in a manner which is consistent with a contractual relationship. Whilst the relevant Head of Finance, as client Manager regularly communicated with the SFT Manager, there were no established, risk-based, governance controls which could be used by the Council to check and challenge the operational activities of the SFT; neither were there any formal performance indicators or routine reporting in place. Consequently, there was no embedded second line of defence. Internal Audit, as the third line of defence, was therefore unable to provide assurance that the Council has sufficient controls in place to manage this contractual relationship.

3.2.50 As contract management checks were not as expected, the audit verified compliance by checking the activities documented as being the Contractor’s responsibility under the SLA. Controls were in place and operating effectively as part of the Contractor’s operational management.

3.2.51 Audit testing confirmed that there was a SLA in place which defined the services and the responsibilities of the parties involved. Periodic, but informal, meetings were held with the service provider.

3.2.52 A priority 1 recommendation was raised with regard to contractual reporting. Regular and ongoing internal controls were not evidenced to review contractual activity. The SLA identified 17 key performance indicators however there was no reporting by the service provider to assess performance nor had the Council requested reporting.

3.2.53 The Head of Finance agreed that the meetings should be formalised and this was implemented with effect from January 2020.

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

### 3.2.54 Review of Insurance Audit

Audit opinion	Reasonable
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- 3.2.55 The overall objective of the audit was to review the key controls and performance of the Insurance function, including a review of the contractual arrangements with the Royal Borough of Greenwich for claims handling and preparation for the transfer of function when the contract expires.
- 3.2.56 Controls noted to be in place and working effectively included the appointment of an Insurance & Risk Manager to manage the Insurance function and the relationship with RBG.
- 3.2.57 All insurance claims are recorded on the Bromley Council insurance system (LACHS) by RBG as claims handler. The formal agreement with RBG as current claims handler is expiring on 31 March 2020. At the time of audit, the draft contract for the new arrangements between Bromley and Sutton, remained with the Council's Legal Team for final updates and sign-off.
- 3.2.58 The Insurance & Risk Manager can view the Insurance claims documentation retained on LACHS, the Claims handling system. Where a payment on a claim is recommended, this is reviewed and approved by two officers from RBG and then passed for approval by the Insurance & Risk Manager.
- 3.2.59 The Principal Accountant completes an annual recharge of insurance costs to services, the basis of which was identified and found to be appropriate. An annual report is prepared by the Insurance & Risk Manager which reviews the level of the self-insurance fund and the arrangements for a quarterly reconciliation of the financial system (Oracle) with LACHS are in place. Regular meetings are held with RBG, at which monitoring reports and other issues are discussed.
- 3.2.60 There are two areas where management attention is required. The March 2019 report to the Executive recommending the award of insurance contracts noted that, at that time, there were no suitable cyber risk policies. Management have agreed to review this if more comprehensive cover becomes available or other circumstances warrant it.
- 3.2.61 While there is a target to acknowledge claims received within three days and investigate within three months, there is no review of the progress of outstanding claims and whether such targets are achieved. It was noted that this is something that the Council should be looking to build into its new contractual arrangements with Sutton Council, as the new outsourced claims handler. The recommendations have been agreed 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

### **3.3 Priority 1 Follow Up**

#### **3.3.1 Contract Management – Adult Mental Health – Priority 1 update**

3.3.2 At the last meeting Members were updated regarding progress made in implementing the 3 P1 recommendations. Two recommendations relating to performance monitoring and management reports were implemented. It was anticipated that the final sign off of the Deed of Variation of the contract would take place imminently. However, Internal Audit would not close the recommendation until it was evidenced that the document was signed.

3.3.3 A copy of the agreement was received from Head of Early Intervention 15/11/20 with signed, dated and sealed agreement attached. All recommendations are now implemented.

#### **3.3.4 Leaving Care – Priority 1 update**

3.3.5 The Leaving Care Audit, issued on 15th October 2018, contained six Priority One findings, four of which were reported as implemented at the Audit Sub Committee meeting of 4th June 2019.

3.3.6 The two recommendations outstanding at that time related to the grant sheets (central log) not reconciling to the finance records held and Individual Service User Finance Records. A comprehensive record should be readily available to detail all payments made to support each individual leaving care service user.

3.3.7 Internal Audit were advised that in July 2019, that a number of reports were set up for the department. This included the following:-

- CYP Leaving Care Stream Reconciliation per Client
- CYP Accommodation Support
- CYP Auto payments

3.3.8 The Leaving Care Stream Reconciliation per client is a Carefirst BOXI report that has been developed in order to assist the service. BOXI is also known as 'Business Objects' and is the reporting tool within CareFirst. BOXI reports are used widely by CareFirst users including the Finance, Commissioning and Performance teams.

3.3.9 Training was provided to the Finance Monitoring Officer on 9/1/20. The department were notified that testing would be undertaken by Internal Audit at the end of January 2020 to determine implementation of these two recommendations.

3.3.10 The Auditor was informed that the dip sampling of the service that had previously been put in place ceased in November/ December 2019. The newly appointed Head of Service agreed with Finance that the new process for reconciliation had been implemented the dip sampling was no longer required.

3.3.11 It was confirmed by the Finance Monitoring Officer (FMO) that the new process was implemented in January 2020 and that she has been working backwards to December 2019 to reconcile the individual service user records.

3.3.12 Audit testing could only be undertaken for transactions in December 2019. This is a small sample of records to be testing. Therefore, it has not been possible to confirm the implementation of the new process as it has only just been put in place. The FMO confirmed that the plan was to go back to 2015-16 to reconcile records, although this may not be achievable.

3.3.13 It should be recognised that this will take some time to complete especially as there is only one officer undertaking the task.

3.3.14 Audit testing will be undertaken prior to the June 2020 Audit Sub Committee meeting. This will allow for a sufficient sample for testing to be undertaken as well as to confirm that sufficient progress has been made.

### **3.3.15 Strategic Property – Priority 1 update**

3.3.16 At the previous meeting Members were informed that progress has been made in implementing the four Priority 1 recommendations from the review of the management of Strategic Property. The outstanding 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.

3.3.17 Management advised they have made significant progress to fully implement the recommendations and provided supporting information for review. It was noted that:

#### Verification of Contract Performance to support payments

3.3.18 A tracker for all casework undertaken by the Contractor in terms of Disposals/Rent Reviews/Lease Renewals/New Leases was reviewed for June 2019, July 2019 and August 2019. It was noted that the tracker was checked by the Head of Asset and Investment Management (HAIM) to ensure that the work behind each transaction has been carried out in a 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 was kept by the TFM Client Team. It should be noted that these reviews have halted since September 2019 as resources had to be redirected to resolve valuation issues relating to the Financial Accounts. It is expected that the process will resume once revaluations are completed. Therefore this recommendation is considered to be implemented.

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

3.3.19 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.

3.3.20 Since the audit HAIM has not commissioned any work directly from the contractor. In conclusion this recommendation has been implemented.

#### Key performance Indicators (KPIs)

3.3.21 The revised KPI's with written guidance have been agreed and a CCN to adopt the KPIs was signed by the Director of Director of Housing, Planning, Property and Regeneration on 11/10/2019. It is expected that these KPIs will be monitored by the contract manager to assess contractor performance on an ongoing basis. Therefore this recommendation is considered to be implemented.

#### £1m income generation plan

3.3.22 Management previously advised that 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. 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.

3.3.23 Internal Audit selected a sample of 8 cases where savings/new income generation has been claimed by the contractor from the information provided by HAIM. The supporting information for the sampled cases was reviewed at a meeting with the contractor and HAIM. Further supporting information was obtained from Finance to verify savings/new income generation. For a number of cases Internal Audit was unable to confirm that the claimed savings/new income were valid. Further information has been requested from management and once received Internal Audit will undertake further verification checks. Therefore this recommendation remains outstanding.

#### **3.3.24 Health and Safety – Priority 1 update**

3.3.25 The Health and Safety audit 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.

3.3.26 The Director of Human Resources and Customer Services has advised that each of the eight major divisions of the Authority has been required to identify a minimum of four priority risk assessments linked to the core business(es) of the division. This will be an annual requirement as part of the planning process.

3.3.27 Every division, with the assistance of HR, has now identified their four priority risk assessments for the 2020/21 financial year with the deadline for completing the risk assessments being 30th April 2020

3.3.28 The recommendation is therefore in progress.

#### **3.3.29 Street Cleansing Contract Management – Priority 1 update**

3.3.30 The Priority 1 recommendation related to invoices being processed for payment without supporting documentation under the previous contract. 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)

3.3.31 Internal Audit reviewed a sample of 3 invoices relating to Street Cleansing to verify the payment process as part of the planned audit of the contract implementation process for the new Environmental Services Contracts. It was evidenced that the prices were checked and supporting evidence was reviewed and retained for the sample checked. In conclusion this recommendation has now been implemented

#### **3.3.32 Arboricultural Management – Priority 1 update**

3.3.33 At the previous meeting Members were informed that four priority 1 recommendations had been raised for the Arboricultural Service. The findings related to the payment process, open orders on Confirm, contract monitoring and defaults. Progress to implement the recommendations had been impeded by resource issues in the Arboricultural Team and the final invoice had not been submitted by the previous contractor.

3.3.34 Since the last meeting in October 2019 there has been significant progress to fully implement the recommendations. In an e-mail dated 11/11/19 the Arboricultural Manager confirmed that the previous contractor had submitted their final invoice. The Arboricultural Manager evidenced adequate scrutiny of the supporting data submitted and agreed a final value of £72,774.75. The verification checks included validation that the defaults claimed by Bromley

had been deducted accordingly. As reported previously the Priority 1 recommendations relating to defaults and open orders would be closed once the outstanding invoice was satisfactorily processed.

- 3.3.35 The two remaining Priority 1 recommendations relating to payment of invoices and contract monitoring were considered partially implemented given the significant progress evidenced. It was agreed that Internal Audit would complete testing of monitoring and payment for the February Committee to give assurance that the agreed procedures were being followed and having allowed adequate time for the new procedures to be embedded and tested.

#### Payment Process

- 3.3.36 November 2019 was selected as a sample month to check and verify processing of the payment. The contractor confirmed on the 5/12/19 that the request for payment would be ready to run from Confirm to generate the draft payment certificate. Quality monitoring was satisfactorily completed and the invoice amount of £15,852.44 was discussed and agreed during a minuted conference call on the 16/12/19. The invoice was correctly authorised and processed.

#### Monitoring the contract

- 3.3.37 The CCN has now been agreed and signed by both parties in November 2019 to confirm that for each month the ten highest value jobs are jointly inspected (LBB Service Manager and Contractor) and a further volume of jobs submitted on the draft payment certificate will be inspected by LBB Arboricultural Officers to make the quantity of inspections equal to 10% of the total jobs.
- 3.3.38 For November the top 10 jobs (financial value) had a combined value of £2,451, a further 25 jobs, with a value of £1,347 were satisfactorily checked. The Arboricultural Manager confirmed that performance monitoring for October, November and December showed that all work checked had been completed and was of a satisfactory standard.
- 3.3.39 The contractor will complete the Performance Management Framework for the key objectives; information which is then verified by the Business Support Officer prior to the Service Operations Board (SOB) meeting. The minutes of the December SOB evidenced that all key objectives had been considered and any action required minuted.
- 3.3.40 The review work completed for this update has shown that the payment and monitoring for November 2019 had been satisfactorily processed and in accordance with the Departments agreed procedures.

- 3.3.41 All Priority 1 recommendations raised for Arboriculture Services are now considered closed.

#### **3.3.42 No Recourse to Public Funds – Priority 1 update**

- 3.3.43 At the previous meeting Members were informed that one priority 1 recommendation relating to the procurement, contractual arrangements and cost of accommodation had been raised following the review of the No Recourse to Public Funds service in the Children's Referral and Assessment Team (RaS). The procurement of accommodation did not comply with Financial Regulations or Contract Procedure Rules. The team were using just one provider with no consideration to cumulative spend. Accommodation had been procured by the Social Worker Assistant via a telephone call and there was no contractual agreement with the provider or formal order. A comparison between current properties provided and Pan London rates used by Housing identified that higher rates had been paid.
- 3.3.44 Following the audit the Department liaised with Housing colleagues to introduce a new system whereby the NRPF officer submits a request to Housing stating the needs of the

family. Property options are returned to the NRPF team to then contact the Housing provider direct and complete the booking.

- 3.3.45 The NRPF Team evidenced that they have changed working practices which are now supported by procedure notes. There is an e-mail trail to confirm the booking, confirming the start date and nightly rate. This was uploaded to CareStore for the four current clients checked for this follow up. The NRPF officer has also introduced a summary spreadsheet held in the shared folders to show providers, rates and dates to support the payment of invoices. The summary sheet as at 4/2/2020 showed two clients not identified on the CareFirst report. One client had been placed on the 15/1/20 the other on the 17/5/19. Service agreements should be opened as the placement starts although it is acknowledged that at this time Central Placements were still involved in the system. For the second case further checking identified that the provider ID had not been uploaded to the system, this has now been remedied.
- 3.3.46 The progress to implement this priority 1 has been ongoing since the previous committee meeting to try and consolidate a central point of responsibility which has now taken place following some realignment of service. . Reports from CareFirst have shown that there were clients classified as NRPF but not known to the team and NRPF cases that should have been closed. It is imperative that the information held on CareFirst is accurate. There are other users relying on the information held; Finance for budget monitoring and forecasts and Strategy and Performance for statutory returns. To improve accountability the summary CareFirst report will be issued to the Head of Service to review and certify that accommodation and subsistence information for NRPF is correct. In addition the AD will scrutinise this as part of the performance surgery with Heads of Service. The first report was issued on the 3/2/20 so we are not yet able to evaluate the effectiveness of this control.
- 3.3.47 The procedure to open and close service agreements has caused the most debate as officers have worked to resolve the accuracy of information held on CareFirst. As at the time of writing, the system to open service agreements (the mechanism to pay providers) has been shifted from the Central Placements Team to the Business Support Officers working in the RaS Team. Business Support Officers have received basic training and handover from the Placement Coordinator and assurance that there will be ongoing support when needed. The BSO recognise that they will need to develop their own robust procedures to control the creation and timely closure of service agreements. Given the significant changes in the procedure to update Care First and shift in responsibility to process invoices to one SPOC it is too recent to effectively audit this area of the service and give assurance that the priority 1 recommendation has been fully implemented. It is acknowledged that the team are satisfactorily progressing this recommendation.

### **3.3.48 Domiciliary Care Contract Management – Priority 1 update**

- 3.3.49 Members were previously informed that one priority 1 recommendation had been raised in respect of the contractual arrangements with three domiciliary care providers. For two providers' extension documents had not been signed and returned and for one provider there was no provision to extend the contract although the expiry date was due.
- 3.3.50 Follow up work has shown that the Department have actively engaged with all three providers in an effort to complete sign off on the extension letters. One contractor had returned the signed extension document and it was evidenced that this has been uploaded to the Contracts Database. For one provider, negotiations regarding their rates had been completed and the contract documents were issued on the 22/1/2020. At the time of writing this report the document had not been returned. For the third provider identified in the original report, officers had been e-mailing their contact but with no response. In January the Head of Service (Community Living Commissioning) contacted the company director and



secured agreement to sign and return the extension document. Since then this provider has requested an earlier uplift to their rates. Bromley officers are currently discussing this issue.

- 3.3.51 The Assistant Director Contracts and Governance confirmed that an outstanding signed extension document would not impact on the contractual arrangements with each provider as the original contract was signed and the terms and conditions therein would be enforceable.
- 3.3.52 A sample of four domiciliary care providers was selected from the payment schedule generated from CareFirst. In all cases the contracts were satisfactorily checked and had been uploaded to the contract database.
- 3.3.53 The Department evidenced new procedure notes to support spot and block contracts; these have been circulated to all relevant officers. A meeting scheduled for the 11/2/2020 will bring together those officers to review roles and responsibilities, identify any duplication or omissions.
- 3.3.54 The Department have requested that the service accountant run a quarterly report on the domiciliary care subjective codes for the Integrated Strategic Commissioner to review expenditure across providers. A random sample of 10 providers will be selected to confirm that signed contracts are held.
- 3.3.55 The Department have evidenced changes to existing procedures that will improve the controls to ensure that all domiciliary care contracts are supported by current, signed contract documentation. However the priority 1 recommendation will remain open until these new procedures and checks have been embedded and tested. The recommendation will also remain open until the providers in the original audit have completed and returned the requested contract documentation.

### **3.3.56 Creditors – Priority 1 update**

- 3.3.57 The audit report contained one Priority 1 recommendation which related to the supplier set up process and the need to conduct robust bank mandate checks.
- 3.3.58 Checks to verify the bank account details being provided are now conducted by the Council's Exchequer Contractor who has introduced a suitable form for its Supplier Management Team to record details of the bank account and VAT registration checks when they are carried out.
- 3.3.59 The recommendation is therefore implemented

### **3.3.60 Starters and Leavers – Priority 1 update**

- 3.3.61 The Starters and Leavers audit report contained one Priority 1 recommendation which related to the process for notifying relevant departments when an employee leaves the Council.
- 3.3.62 An IT solution to introduce a leaver form which will notify all relevant parties when an employee is due to leave is being progressed by the IT department in conjunction with Council's IT contractor. The timescale for implementing this is the end of March 2020.
- 3.3.63 In the meantime, we have confirmed through our testing that, although there is a process in place to notify relevant departments when someone leaves the Council, it requires improvement. Our testing has found that not all relevant departments are notified. We have identified some accounts which appear to be active and we are working with IT to establish the reasons for these. At this stage the recommendation is still in progress.

### 3.3.64 Highways Maintenance – Priority 1 update

3.3.65 The Highways audit report contained three Priority 1 recommendations which related to selection process of highways schemes for major works programme, management of delivery of agreed highways schemes and controls on reconstruction and widening of vehicle crossovers as part of footway schemes.

3.3.66 Management advised that progress has been made and provided comments and supporting information. Internal Audit will review the information provided by management and report the outcome at the next meeting.

### 3.4 Publication of Internal Audit Reports

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

3.4.2 There is a report for which an exemption from publication is requested which is discussed in Part 2.

AUDIT	OPINION
Transformation Strategy	Substantial
Council Tax	Reasonable
Deferred Payments	Reasonable
Business Continuity and Emergency Planning	Limited
Procurement Cards	Limited
Tax and National Insurance Contributions	Not given because we did not assessed the full range of controls in this area
Substance Misuse Services	Substantial
Main Accounting System and General Ledger 2019/20	Reasonable
Schools Finance Team (SFT)	Limited for the Council's contract management
	Reasonable for the Exchequer contractor
Insurance	Reasonable

3.4.3 For current definitions of audit opinions, see below:-

Assurance Level	Definition
<b>Substantial Assurance</b>	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
<b>Reasonable Assurance</b>	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
<b>Limited Assurance</b>	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
<b>No Assurance</b>	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

3.4.4 We have also carried out the following

- Fraud and investigations work – the results of which are reported in Part 2 of this agenda.
- Advice and support – Internal Auditors are available to offer advice and consultation to all officers. The input required from Internal Audit varies; ad hoc enquires will be received by e-mail, phone or in person. Internal Audit also attend working groups to advise on system controls and good practice.
- Monitoring/authorisation role for the Greenwich Fraud partnership.
- Committee work.
- Internal Liaison with the Corporate Leadership Team/Directors’ Group; Directorate Management Teams and Corporate Risk Management Group.
- External liaison with the London Audit Group, and our External Auditors

### 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. Risks marked as ‘Red’ (High) are presented to every other meeting of the relevant PDS committee for noting.

3.5.2 Since the last meeting of the Audit Sub Committee on 17<sup>th</sup> October 2019, the risk registers have been reviewed by the Corporate Risk Management Group at their meeting of 29<sup>th</sup> January 2020. The latest iterations will be presented to Audit Sub Committee at the June 2020 meeting and will accompany the Annual Governance Statement.

## 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 Adult and Children’s Services

**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 implications for procurement relating to contract procedure rules, financial regulations and Value for Money issues.

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

Priority 1 list - February 2020

Appendix A

Report Number/Date	Title	Opinion	No. of Priority Ones	Details of original Recommendation	Responsible Officer	Lead Officer	Comments
ECHS/01/2017/AU  Finalised date 15th October 2018	Review of Leaving Care	Limited	6 2o/s	Issues arose within the following areas :- 1) Individual service user finance records were found not to be up to date; 2) Grant sheet (Central Log) issues arose with a number of cases;	Director of Children's Services	Assistant Director, Childrens Social Care  Head of Service (CLA &Care Leavers)	See Progress Reports for November 2018, February 2019, June 2019, October 2019 and February 2020.
ECS/07/2017/AU  Finalised date 23rd November 2018	Review of the management of Strategic Property	Limited	4 1 o/s	Validation and Monitoring of £1m Income Generation Plan;	Director of Housing, Planning and Regeneration.	Assistant Director Strategic Property	See Progress Reports for February 2019, June 2019, October 2019 and February 2020
CORP/05/2018/AU  Finalised date 18th January 2019	Review of Health and Safety	Limited	1	A full suite of comprehensive Health and Safety 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	Director of Human Resources and Customer Services	Director of Human Resources and Customer Services	See Progress Reports for February 2019, June 2019, October 2019 and February 2020
ECHS/12/2018/AU  Finalised date 18th July 2019	Review of No Recourse to Public Funds	Limited	1	The procurement of accommodation for NRPF clients within the Referral and Assessment Team (CSC) did not meet the requirements of Financial Regulations and Contract Procedure Rules. There was no formal contract arrangements with the provider selected. Comparison with Housing indicated that the provider used by the NRPF team did not offer value for money and there was potential for savings.	Director of Children's Services	Assistant Director, Childrens Social Care  Head of Service Referral and Assessment	October 2019 See Progress Report  February 2020 See Progress Report

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Report Number/Date	Title	Opinion	No. of Priority Ones	Details of original Recommendation	Responsible Officer	Lead Officer	Comments
<b>ECHS/3/2018/AU</b>  <b>Finalised 23rd September 2019</b>	<b>Review of Domiciliary Care Contract Management</b>	Limited	1	From a sample of current domiciliary care contracts 1 framework provider with 19 active care plans had a contract that had expired in August 2017. For 1 spot contract provider with 15 active care plans, the contract had expired in May 2015. One provider had a contract due to expire in August 2019 but there was no provision to extend at the time of the audit.	Director of Adult Services	Assistant Director Commissioning & Programmes (Children and Adults)	October 2019 See Progress Report  February 2020 See Progress Report
<b>CEX/13/09/2019</b>  <b>Finalised date 30th September 2019</b>	<b>Review of Starters and Leavers</b>	Limited	1	The notification process for managers to inform IT and other relevant departments (for the issue of building security passes and procurement cards) of staff who are leaving the Authority, is not operating effectively.	Director of Human Resources and Customer Services  Director of Corporate Services (for the IT element)	Head of HR Business, Systems and Reward Head of IT Services/Head of Information management	October 2019 See Progress Report  February 2020 See Progress Report
<b>ECS/2/2018/AU</b>  <b>Finalised date 2nd October 2019</b>	<b>Review of Highways Maintenance</b>	Limited	3	1) Recommendation of schemes for the Highways Investment Project were not evidenced as compliant to the prioritisation system agreed by the Executive. The rationale for recommendation to the schemes to the Environment PDS was not retained. 2) Management of the delivery of agreed Highways Investment schemes for both carriageway and footways including written procedures, ordering, variations, documentation to support inspections and confirmation to remedy defects before payment. 3) Reconstruction of vehicle crossovers as part of footways schemes should be supported by written procedure notes, documentation for each job including request form, date of instruction and inspection report when completed. Income to be reconciled to reconstructions invoiced.	Director of Environment and Public Protection	Assistant Director Highways	October 2019 See Progress Report  February 2020 See Progress Report

Report Number/Date	Title	Opinion	No. of Priority Ones	Details of original Recommendation	Responsible Officer	Lead Officer	Comments
CORP/03/2019/AU Finalised date 23rd December 2019	Review of Business Continuity and Emergency Planning	Limited	2 1o/s	Management should ensure that plan owners are testing their BCP at least annually; produce an action plan for any issues identified; test plans that yet to formalised and to assign ownership and responsibility to ensure the recommended steps are escalated to full implementation	Director of Environment and Public Protection	Assistant Director of Public Protection	See Progress Report New addition to the P1 list
CEX/14/2019/AU Finalised date 27th January 2020	Review of Schools Finance Team (SFT)	Limited	1	Formal contract management over the arrangements with Liberata to provide the SFT service should be implemented. Any contract monitoring controls implemented should be risk-based, so enabling checks to be increased if KPI's drop or assurances over activities are not achieved. A periodic update on achievement of the contractual KPI's should be requested from the service provider.	Director of Finance	Head of Finance Children, Education and Families	See Progress Report - New priority 1 recommendation
CEX/11/2019/AU Finalised 14 January 2020 Page 79	Review of Procurement Cards	Limited	3	1) The roles and responsibilities of those involved in the varying tasks of the procurement card system should be clarified. 2) Transactions should be submitted and authorised in a timely manner 3) Reclaimed VAT should be supported by appropriate documentation	Director of Finance	Assistant Director Commissioning & Programmes (Children and Adults)  Assistant Director Exchequer Service	See Progress Report - New priority 1 recommendations

Report Number/Date	Title	Opinion	No. of Priority Ones	Details of original Recommendation	Responsible Officer	Lead Officer	Comments
CEX/11/2019/AUTAX  Finalised 10 December 2019	<b>Tax and National Insurance Arising From the Audit of Procurement Cards</b>	Limited	2	1) Advice should be sought regarding the payment of tax and NIC by the Council to HMRC for gifts and meals purchased by officers. 2) Payment of tax and NIC for merit awards paid to individuals who are not permanent employees of the Council, for current and previous years.	Director of Human Resources and Customer Services	Head of HR Business, Systems and Reward	See Progress Report - New priority 1 recommendations

**The following P1 recommendations have been implemented :**  
Contract Management for the Agreement with Oxleas - Mental Health  
Arboricultural Services - See Progress Report  
Street Cleansing- See Progress Report  
Creditors- See Progress Report



By virtue of paragraph(s) 1 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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