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DATE: 22 October 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 virtual meeting of the Audit Sub-Committee will be held on **TUESDAY 3  
NOVEMBER 2020 AT 6.30 PM**

Details of how to access the meeting will be published on the Bromley Council website.

MARK BOWEN  
Director of Corporate Services

*Copies of the documents referred to below can be obtained from*  
<http://cds.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 15TH JULY 2020--  
EXCLUDING THOSE CONTAINING EXEMPT INFORMATION (Pages 5 - 14)**
- 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. So questions to the Audit Sub-Committee that are not specific to the agenda, should have been received by Democratic Services by 5.00pm on Tuesday, October 20<sup>th</sup>.

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 Wednesday 28<sup>th</sup> October.**

## **5 QUESTIONS ON THE AUDIT REPORTS PUBLISHED ON THE COUNCIL WEBSITE**

Please ensure that any questions pertaining to the audit reports published as Information Briefings on the Council website are received by 5.00pm on Wednesday, 28<sup>th</sup> October.

The Information Briefing consists of:

- 1 REVIEW OF BUSINESS RATES** (Pages 3 - 8)
- 2 REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION** (Pages 9 - 24)
- 3 REVIEW OF DEBTORS** (Pages 25 - 36)
- 4 PENSION FUND GOVERNANCE 2020-21** (Pages 37 - 48)
- 5 REVIEW OF STREET LIGHTING** (Pages 49 - 60)
- 6 REVIEW OF THE TROUBLED FAMILIES CLAIM: 1ST APRIL 2020 TO SEPTEMBER 2020** (Pages 61 - 66)
- 7 FINAL LETTER OF CONFIRMATION--BLUE BADGE NEW CRITERIA IMPLEMENTATION** (Pages 67 - 68)
- 8 FINAL LETTER OF CONFIRMATION: INTEGRATION AND BETTER CARE FUND--THE DISABLED CAPITAL GRANT** (Pages 67 - 68)

The information briefing has been published on the Council website on the following link:

<https://cds.bromley.gov.uk/ieListDocuments.aspx?CId=559&MId=7042&Ver=4>

- 6 ANNUAL AUDIT LETTER** (Pages 15 - 46)
- 7 THE REDMOND REVIEW OF LOCAL AUTHORITY FINANCIAL REPORTING AND EXTERNAL AUDIT** (Pages 47 - 138)
- 8 INTERNAL AUDIT PROGRESS REPORT** (Pages 139 - 384)
- 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**

**10 INTERNAL AUDIT FRAUD AND INVESTIGATION REPORT (Pages 385 - 400)**

Information which is likely to reveal the identity of an individual.  
Information relating to the financial or business affairs of any particular person (including the authority holding that information)

**11 EXEMPT MINUTES OF THE MEETING HELD ON 15TH JULY 2020 (Pages 401 - 404)**

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 15 July 2020

### Present:

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

### **37 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

No apologies for absence were received.

### **38 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **39 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 26th FEBRUARY 2020--EXCLUDING MINUTES CONTAINING EXEMPT INFORMATION**

The public minutes of the meeting held on 26<sup>th</sup> February 2020 were agreed as a correct record.

### **40 QUESTIONS TO THE CHAIRMAN OF THE AUDIT SUB COMMITTEE**

No questions were received.

### **41 QUESTIONS ON THE INTERNAL AUDIT REPORTS PUBLISHED ON THE COUNCIL WEBSITE**

No questions were received regarding the Internal Audit reports that had been published on the Council Website.

### **42 EXTERNAL AUDIT PLAN FOR 2019--2020**

Representatives from Ernst and Young (E&Y) attended to provide an update regarding the External Audit Plan for 2019-2020. These were Janet Dawson, Hannah Lill and Adrian Balmer.

Ms Dawson outlined the key areas of risk as assessed by E&Y.

These were:

- Misstatements due to fraud or error
- Incorrect capitalisation of revenue expenditure
- Asset valuations
- Pensions valuations and disclosures.

The first two risks noted were common risks associated with local government generally. Asset valuations would need particular attention to detail, due to the historic problems with these valuations, and due to the effects of the pandemic. The IOCS (Institute of Chartered Surveyors) had issued a statement which said that they would expect their advisors to note an aspect of material uncertainty in their valuations because of the Covid pandemic,

The Committee noted that Pensions Valuations and Disclosures had also been classed as a significant risk. This was not to be taken as indicating that the external auditors saw anything wrong with the Pension Fund or its valuations, but rather that this was an area that was generally complex to value; it was also an area that would have been affected by Covid and the volatility of the financial markets.

Ms Dawson drew attention to another key area of risk which was identified as 'Going Concern Compliance with ISA 570'. This was a new area of focus and essentially meant that it would increase the workload of auditors in the UK when they assessed whether or not councils were financially viable. Ms Dawson had therefore considered it necessary to draw the Committee's attention to this fact.

The effects of the Covid 19 pandemic were listed as a separate risk factor.

Ms Dawson drew attention to the section of the papers dealing with 'Value for Money' where it was noted that E&Y had to consider if LBB had put in place proper arrangements to secure economy, effectiveness and efficiency in the use of its resources.

Ms Dawson highlighted page 40 of the pack which explained the 'Materiality' reporting levels that would be adopted by E&Y. It was noted that 'Planning Materiality' for 2019/2020 had been set at £5.49m. This had been calculated as 1% of the Council's gross expenditure for the previous year which was £549m. ('Planning Materiality' was the amount over which the external auditor felt that a misstatement could influence the decisions of a user of the financial statements).

The Chairman asked Ms Dawson if LBB should expect a 'qualification' on the accounts, and the response to this was that this was not expected.

The Chairman asked if Ms Dawson could shed light on any proposed increase to LBB's fees as a result of the extra work involved in the audit and the closer monitoring of external auditors by the Financial Reporting Council (FRC). Ms Dawson replied that she had been in general discussion with LBB's Director of Finance concerning this matter and talks would continue going forward.

The Chairman referred to the Pensions Audit and specifically to the Triennial Valuation. He noted that another £5k had been added here for fees and enquired whether or not the £5k had been costed into the original external audit valuation. Ms Dawson responded that it had not.

A Member asked why the Pension Fund had been assessed as a red risk as it did not have a deficit and was a well-managed fund. The fund was currently valued at £1.17 billion, which meant that the fund was 109% funded. He disagreed with the red rating and asked for an explanation as to why this was the case. He hoped that the red risk rating would not be one of the reasons why an increase in fees would be justified. Ms Dawson clarified that the red risk rating applied in E&Y's audit plan, had been applied purely from their audit perspective, and was not in any way a reflection on the management and viability of the fund itself. E&Y had to satisfy themselves regarding any risks to the fund, and this same methodology had been applied to all of E&Y's clients. The term 'deficit' in this regard did not mean that the fund was not sufficiently funded, it just meant that from an audit perspective it was a liability on the balance sheet.

The Member referred to the mention in the report of changes to the Finance Team, and that this was problematic. He acknowledged that the team was small, but stated that they were qualified and efficient, and so he wanted to ask why this was an issue as far as E&Y were concerned. Ms Dawson highlighted the fact that to produce a quality set of accounts, a significant amount of work was required. LBB had lost officers in the Finance Department that were very experienced, and who understood how the LBB systems worked. When they had left, corporate history and knowledge left with them. Given the fact that the current team was small, and that corporate history had been lost, it was E&Y's view that this was a risk factor that had to be highlighted to the Council. In their view, small teams could struggle to respond, particularly when resources had been stretched due to the pandemic.

The matter of whether or not LBB's accounting systems supported data analytics well was discussed along with how LBB's systems compared with those of other councils. Ms Dawson explained that when E&Y undertook audits, as part of their data analytics process, they needed to download information from an organisation's general ledger for the particular year under audit. This then enabled data to be manipulated into different categories and further drill downs were often required to extract data samples. She said that this was not fully possible with LBB's general ledger as they were only able to drill down to one level. The process was further complicated by the fact that the pension information was on the same ledger and so these two factors combined to slow down their audit process.

Mr Balmer commented on a case where E&Y were currently undertaking the audit of the accounts of a County Council. The audit had commenced roughly 5 weeks before, and E&Y were now just one week away (approximately) from completing the audit. The reason given for this was that the County Council's

general ledger systems were such that E&Y was able to drill down and extract the data required in a more efficient and faster manner.

The Chairman thanked Ms Dawson and her colleagues for attending the meeting and for their presentation.

**RESOLVED that**

**1) The External Auditor's arrangements for the Audit Plans (2019-2020) are noted.**

**2) The materiality and reporting levels are agreed.**

**43 ANNUAL GOVERNANCE STATEMENT 2019/2020**

The Head of Audit and Assurance explained the regulations and statutory framework around the Annual Governance Statement (AGS). He also outlined the various sources of assurance that were relied upon when drafting the Statement. He explained that several key governance issues had been identified going forward as a result of the annual review. These were:

- Finance
- Valuation of Fixed Assets
- Impact of the Covid 19 pandemic on Service

It was noted that the financial position had improved somewhat before lockdown, due to an improved financial settlement that had been received from central government, notwithstanding the Council's £16.9m budget deficit. It was also the case that a Transformation Plan was in place. However, the Council's financial position would have been adversely affected by the economic fallout from Covid 19, and the full effect of this would be difficult to evaluate at the moment. The Council had experienced loss of income streams along with increased expenditure. Some monies had been provided by central government, but there were still some areas where the financial burden was falling upon the Council.

It was noted that revised revaluation work relating to fixed assets had been completed and revised accounts had been submitted to the external auditors. It was anticipated that any outstanding work required to be completed by E&Y with regard to fixed assets would now have been completed, and E&Y would be reporting on this to the GP&L Committee on 30<sup>th</sup> July.

Mr Balmer confirmed their presentation to GP&L and that the revised valuation work had been accepted. It was hoped to sign off this aspect of the accounts shortly after the GP&L meeting.

A Member asked if it was possible to assess the effect of the pandemic on the Transformation Programme. The Head of Audit and Assurance responded that he was not in a position to answer this question at this early stage, but the situation was being monitored by the Transformation Board.



**RESOLVED that the Annual Governance Statement is agreed and adopted.**

#### **44 ANNUAL INTERNAL AUDIT REPORT**

The Head of Audit and Assurance stated that in 69% of cases, the assurance ratings assigned by Internal Audit after completion of audits were positive. Issues identified and recommendations made were generally complied with and LBB had a reasonable system of internal control, with these controls being applied consistently.

The Chairman asked if he could remind the Committee which audits had been delayed or cancelled as a result of the pandemic—these were discussed. The Head of Audit and Assurance explained that the full analysis was included in Appendix A.

In some cases, work had commenced but needed to continue, in other cases work had been delayed and assigned to the following year's Audit Plan. The Audits that had been cancelled were:

- Creditors
- The use of Consultants
- Information Governance
- Procurement Control Framework
- Mental Health Service Agreements

The Head of Audit and Assurance said that in the next quarter, there would be much work undertaken on the government funding streams that were coming in. This was in relation to (amongst other things), Business Support Grants, Track and Trace and Discretionary Grants.

The Vice Chairman referred to section 3.59 of the report which mentioned four Priority 1 recommendations that had been carried forward from one year to another. He said that it appeared that these had been carried forward in 2018/2019 and also in 2019/2020, then transferred again. He asked what these were and why they had not been actioned.

The Head of Audit and Assurance responded that two of the recommendations related to the Leaving Care Audit, where there was now a new Head of Service in place. Another was related to Strategic Property. The final one was related to the Health and Safety Audit that took place at the end of 2019/2020. It was clarified that the Health and Safety recommendation had still been open as at the end of March, but it was now closed. Action was being taken with respect to the recommendation for Leaving Care, but the new Head of Service had to deal with a backlog of cases.

A Member enquired when staff from the Internal Audit Team would return from their Covid related duties to working back on internal audit work. The Head of Audit and Assurance answered that internal audit staff had returned

to their normal roles on 1<sup>st</sup> July. They had been working with the Shielding Team. They had received compliments from the head of that team who was sorry that they had to resume normal duties. This was a good example of transferable skills within the Internal Audit Team. It was noted that services were recovering at various speeds, and that at the moment many services would not be ready for an internal audit. However, there was plenty of work that needed to be done by Internal Audit with respect to new funding streams.

A Member highlighted the importance of process maps and asked if Internal Audit looked out for process maps during the course of undertaking audits. The Head of Audit and Assurance responded that it was more straightforward if services had a process map in place. This made it easier to see how the service/system flowed and where the controls should be. The Head of Audit and Assurance did insist that services use procedural documentation and guidance.

A Member asked if the Head of Audit and Assurance felt that St Olave's had the expertise and support available to get where they needed to get to. He responded that St Olave's did have a governing body. There had been some evidence of improvements and implementation of previous recommendations, but other weaknesses had been identified. The Vice Chairman at this point declared an interest as a Governor of St Olave's and advised that the school had been trying to recruit a new Business Manager. He explained that for one day a week, the Clerk to the Company was offering his services until the new Business Manager was appointed.

A Member raised the matter of 'Starters and Leavers' and expressed frustration that this was an issue that had not been properly resolved after several years. In his view this was a straightforward issue to resolve and he wondered if it was now time to escalate to Directors.

The Committee agreed that the Internal Audit Team's work through the Covid pandemic, should be brought to the attention of the Leader and the Chief Executive.

**RESOLVED that the Annual Internal Audit report is noted along with the Head of Audit and Assurance's opinion on the soundness of the London Borough of Bromley's internal controls.**

#### **45 INTERNAL AUDIT PROGRESS REPORT**

The Head of Audit and Assurance briefed the Committee on how **Covid 19** had impacted on the Audit Plan, together with the risk profile of the Council in a short space of time. Internal Audit had to look at the services currently being implemented, as well as new services and processes being delivered as a result of the pandemic. Some controls had been relaxed because of working from home for example. The Council had to ensure that suppliers were supported through the pandemic and so processes, and rules had been changed. However, fraud risks were existent for all councils. The Audit Plan had to be flexible and agile to deal with multiple demands.

**The Audit of the Care Act (Information, Advice and Guidance)** had been completed and the level of assurance was 'Reasonable'.

The audit of **contracts coming to an end** had been completed and the level of assurance was 'Substantial.'

Members heard that the audit of **Looked after Children** had resulted in a Priority 1 recommendation (for children moving into the 18 plus age group). It was found that a number of cases did not have a valid contract in place with the provider, so the Contract Procedure Rules and the Financial Regulations were not being followed. The service was working through a backlog of existing placements. The level of audit assurance was 'Limited'.

The Committee heard that the audit of **'More Homes Bromley'** had been a complex piece of work. It was an innovative scheme and 360 properties had been delivered in a short timeframe against a target of 400--this had been a steep learning curve and many lessons had been learned. Recommendations had been made to improve the control environment. Short- and long-term operational risks needed to be identified as well as priorities. KPI data was required. The Head of Audit and Assurance felt that the business plan, business accounts, and financial model all required updating. The Council's Insurance Board needed to satisfy themselves that all properties were covered by relevant insurance. The final accounts had not been formally approved before being filed at Companies House.

Although it was the case that there had been many recommendations, the project had been very successful in that it was delivering much needed housing stock for the Council and was also of significant benefit to the public in terms of providing housing. The Chairman was pleased to note that there were no Priority 1 recommendations.

A discussion took place regarding the Council's Board Members for the **More Homes Bromley Scheme**, and how could the Committee be satisfied that the correct insurances were in place if the Board Members were not insurance experts. The Head of Audit and Assurance informed Members that this was indeed an issue that should not be overlooked, and it would be reviewed at the next Board meeting. The Board was encouraged to take expert independent advice if required.

A discussion took place as to how the audit opinion of reasonable assurance had been given (in respect of More Homes Bromley) as the project had been subject to numerous recommendations from Internal Audit. The Head of Audit and Assurance explained that given the size of the project, and what it was delivering and achieving in operational terms--on balance a rating of limited assurance would have been unfair. He expressed the view that the two senior officers who had been allocated to Board duties in addition to their normal roles, had done very well, given the fact that the additional roles were quite a pull on their time considering the project size— he felt that the project would benefit from a dedicated project lead.

The **Pensions Administration** audit showed that for the most part, systems were working well, but one area of concern was that it did not appear that the pension accounts from the general ledger and their reconciliation with IT systems were being reviewed or signed off. The audit opinion for pension administration was 'Reasonable'.

The Head of Audit and Assurance informed Members that the audit of the **Registrars** department had gone well, and that generally speaking the systems and financial control procedures were satisfactory. The audit opinion was therefore 'Substantial'.

A Member expressed concern about the small size and cutbacks to the **Finance Team**, as he felt that this constituted an operational risk. The Head of Audit and Assurance, together with the Committee, agreed that there was leanness in the Finance Section that needed to be monitored.

Members were provided with an update on **St Olave's**. A number of recommendations were made. The Priority 1 recommendation that had previously been issued, was in relation to project management and financial processes. There had been non-compliance with financial regulations in some areas. The budget had not been signed off by the Chair of Governors and the balance sheet showed a deficit at one point. The audit had resulted in 2 Priority 1 recommendations and 7 Priority 2 recommendations and so the level of audit assurance was 'Limited'.

The **Troubled Families** claim had been signed off and the Head of Audit and Assurance updated the Committee regarding the Priority 1 follow ups. The usual follow up procedures had not been initiated as a result of the Covid pandemic. However, if officers wished to feedback with any updates to internal audit, then these would be noted. The **Health and Safety** recommendations had been signed off, along with the **Domiciliary Care Contract Management** recommendations. With respect to the **Highways Maintenance Contract** recommendations, a number of changes had been put in place, but they needed to be embedded before being audited. The Head of Audit and Assurance commended the work of the **IT Service Department** and also the Work of LBB's **Business Continuity and Resilience Lead** in their response to the Covid pandemic.

**RESOLVED that the Internal Audit Progress Report is noted, and that the Committee note the Internal Audit reports that had been published on the Council's website.**

46            **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.**

**47 INTERNAL AUDIT FRAUD, INVESTIGATION AND EXEMPT ITEMS REPORT**

The Head of Audit and Assurance introduced the Internal Audit Fraud report which provided an overview of the counter fraud work undertaken by Internal Audit in 2019/20. It detailed the impact of COVID-19 on audit activity and the assurance work that had been carried out with respect to the Business Support Grant and the Discretionary Grant.

The full minutes for this section of the meeting are noted in the 'restricted minutes'.

**48 EXEMPT MINUTES OF THE MEETING HELD ON 26th FEBRUARY 2020**

The exempt minutes of the meeting that took place on 26<sup>th</sup> February 2020 were noted and agreed as a correct record.

The meeting ended at 8.55 pm

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Report No.  
FSD20071

## London Borough of Bromley

### PART ONE - PUBLIC

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

**Date:**                    **Tuesday 3<sup>rd</sup> November 2020**

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

**Title:**                   **ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2019**

**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 Council's external auditors EY are required to issue an annual audit letter to the Council following completion of their audit procedures for the year ended 31 March 2019.

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2.    **RECOMMENDATION(S)**

**That the Annual Audit Letter is noted.**

### 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: Audit & Assurance
  4. Total current budget for this head: £541k 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: 2020/21 – 940 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 Content of the report**

- 3.1.1 The purpose of the letter is to communicate to Members and external stakeholders the key issues arising from the External Auditors work. Janet Dawson and Hannah Lill from EY will be attending the Committee to present the letter.
- 3.1.2 The letter sets out that Covid 19 had an impact on a number of aspects of their 2018/19 work, including their risk assessment and scope of their audit. The report discusses the areas of impact and provides a commentary.
- 3.1.3 The letter sets out the results and conclusions on the significant areas of the audit process.
- 3.1.4 The letter sets out the responsibilities of the Appointed Auditor and the Council.
- 3.1.5 The letter sets out the latest position on the Value for Money opinion, and other reporting issues
- 3.1.6 The letter sets out that the Code of Practice on Local Authority Accounting in the UK introduces the application of new accounting standards in future years and summarises the impact on the Council.
- 3.1.7 The letter includes a summary of the fees proposed for the year ended 31 March 2019. It states that additional fees are proposed in respect of additional work required. Discussions on additional fees are taking place with the Director of Finance taking place before gaining formal approval from Public Sector Audit Appointments Ltd (PSAA) for the scale fee variation. The additional fee in respect of the objection will only be known once the work has been completed.

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

- 4.1 None

#### **5. FINANCIAL IMPLICATIONS**

- 5.1 As set out on page 27 of the full Annual Audit Letter for the year ended 31 March 2019, the 2018/19 external audit fees for code work totalled £91,689 and was met from the existing revenue budget. This is the 2018/19 scale fee the Public Sector Audit Appointments Ltd (PSAA) has set for all opted-in bodies.
- 5.2 Also included is a proposed additional fee of £127,482 in respect of additional work required for which discussions are ongoing with the Director of Finance before gaining formal approval from Public Sector Audit Appointments Ltd (PSAA) for the scale fee variation. Provision has been made for this cost.
- 5.3 An additional level of fees in respect of the objection is to be confirmed and will only be known once the work has been completed.

#### **6. PERSONNEL IMPLICATIONS**

- 7.1 None

#### **7. LEGAL IMPLICATIONS**

- 8.1 None

## 8. PROCUREMENT IMPLICATIONS

9.1 None

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

# London Borough of Bromley

Annual Audit Letter for the year  
ended 31 March 2019

September 2020



Building a better  
working world

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)). [OR As part the Auditor Engagement process, we have agreed with you the respective responsibilities of auditors and audited bodies. Copies of the Engagement Letter and Terms and Conditions of our appointment are available from the Chief Executive or via the bodies minutes on their website].

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



Section 1

# Executive Summary

# Executive Summary

We are required to issue an annual audit letter to the London Borough of Bromley Council (the Council) following completion of our audit procedures for the year ended 31 March 2019. Covid-19 had an impact on a number of aspects of our 2018/19 audit. We set out these key impacts below.

Area of impact	Commentary
<b>Impact on our risk assessment</b>	
▶ Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the council would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
▶ Events after the balance sheet date	We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Council.
<b>Impact on the scope of our audit</b>	
▶ Consultation requirements	Additional EY consultation requirements concerning the impact on auditor reports. The changes to audit risks and audit approach changed the level of work we needed to perform.

# Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's and Pension Fund's:</b>	
▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2019 and of its expenditure and income for the year then ended.  We cannot formally conclude the audit and issue an audit certificate as we have not yet completed the work necessary to conclude the objection to the Council's 2018/19 Statement of Accounts. It is our view that even if the objection were resolved in the objector's favour, this would not materially affect the Statement of Accounts.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
▶ Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We are unable to form a conclusion on whether we are satisfied that, in all significant respects, the London Borough of Bromley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019 until we complete the work necessary to conclude the objection.

Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

# Executive Summary (cont'd)

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We were unable to report to the NAO on our review of the Council's WGA due to the delay in the completion of the audit.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 13 July 2020
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	<p>We have received an objection to the 2018/19 Statement of Accounts from a member of the public.</p> <p>We cannot formally conclude the audit and issue an audit certificate as we have not yet completed the work necessary to conclude the objection to the Council's 2018/19 Statement of Accounts. It is our view that even if the objection were resolved in the objector's favour, this would not materially affect the Statement of Accounts. We are unable to form a conclusion on whether we are satisfied that, in all significant respects, the London Borough of Bromley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019 until we complete the work necessary to conclude the objection.</p> <p>The predecessor auditor, KPMG have not completed their work on objections relating to the 2016/17 accounts and 2017/18 accounts and have therefore not yet issued their completion certificates relating to those years of audit.</p> <p>Until we have completed these procedures and KPMG have issued their completion certificates, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.</p>



# Executive Summary (cont'd)

We would like to take this opportunity to thank the Council and Pension Fund's staff for their assistance during the course of our work.



Janet Dawson  
Partner  
For and on behalf of Ernst & Young LLP

Section 2

# Purpose and Responsibilities



# Purpose

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 30 July 2020 General Purposes and Licensing Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

# Responsibilities

## Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 15 February 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2018/19 financial statements including the pension fund; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit



# Financial Statement Audit

## Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council and Pension Fund's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 13 August 2020.

Our detailed findings were reported to the 30 July 2020 General Purposes and Licensing Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p><b>Misstatements due to fraud or error</b></p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>We considered whether management bias was present in the key accounting estimates and judgements in the financial statements.</p> <p>We evaluated the business rationale for any significant unusual transactions [add specific details as required].</p> <p>Having completed our work:</p> <ul style="list-style-type: none"><li>➤ We did not identified any evidence of material management override.</li><li>➤ We did not identified any instances of inappropriate judgements being applied or other management bias both in relation to accounting estimates and other balances and transactions.</li><li>➤ We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</li></ul> <p>Although we identified no evidence of management bias in the Council's approach to accounting for provisions and are satisfied that a prudent approach is taken, there is scope to make provisions more accurate by basing them on the Council's actual historic experience of credit losses.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p><b>Risk of fraud in revenue and expenditure recognition</b></p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.</p> <p>We have determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements to improve the financial position of the general fund.</p> <p>Capitalized revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid. Alternately, other sources such as capital receipts or grants could be inappropriately used to finance the expenditure.</p> <p>Inappropriate classification of revenue expenditure as REFCUS (revenue expenditure funded by capital under statute) could also have the same impact, removing the spend incorrectly from the general fund through applying statutory overrides.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> <li>➤ selecting a sample of PPE additions to test and confirm the item was appropriate to capitalise through agreement to evidence such as invoices and capital expenditure authorisations.</li> <li>➤ selecting a sample of REFCUS items to test to confirm the appropriateness of the classification of these items</li> <li>➤ performing journals testing, we challenged entries that could be indicative of inappropriate capitalisation, such as journals which reclassify transactions originally recorded as revenue expenditure to capital or REFCUS.</li> </ul> <p>We did not identified any material inappropriate capitalisation of revenue expenditure.</p> <p>Our work in this area required us to gain a more granular understanding of the Council's processes for capital, from the initiation of transactions through to reporting in the financial statements. Although we do not test these processes and associated controls in detail as part of our approach our consideration has not highlighted any issue we need to draw to your attention.</p> <p>Our testing of PPE and investment property addition and REFCUS identified no instances of the inappropriate capitalisation of revenue expenditure.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p><b>Valuation of Land and Buildings</b></p> <p>Material misstatement of the assets of the Council as a result of inappropriate judgemental inputs and/or estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment property (IP) represents a significant balances in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>➤ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>➤ Challenged the assumptions used by the Council's valuer by reference to external evidence using our EY valuation specialists</li> <li>➤ Sample tested key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre);</li> <li>➤ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We also considered whether any specific changes to the assets were properly communicated to the valuer;</li> <li>➤ Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;</li> <li>➤ Considered changes to useful economic lives as a result of the most recent valuation; and</li> <li>➤ Tested that accounting entries have been correctly processed in the financial statements.</li> </ul> <p>Our work identified pervasive and material errors in the external valuation of the Council's PPE and IP undertaken by its external valuer, Cushman and Wakefield. Our initial review of the valuation undertaken identified areas of risk and prompted us to involve our specialist EY Real Estate (EYRE) valuation specialists.</p> <p>EYRE identified pervasive errors in the work of the external valuer covering both the accuracy of base data used to inform the valuation, for example floor areas, and the key assumptions made by the valuer to inform the valuation, for example estimates of asset yield. As a result of this Cushman and Wakefield and Knight Frank produced revised valuations for the assets considered by EYRE in their review. We are satisfied that the revised valuations produced are materially accurate.</p> <p>Due to the material and pervasive nature of the errors identified it has been necessary for the Council to produce, disclose and account for the impact in the financial statements of revised valuations covering the year of account, comparative year and start of the comparative year.</p> <p>We raised a number of recommendations for improvements in the asset valuation process.</p>



# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
<p><b>Pension Liability Valuation</b> : The Code of Practice on Local Authority Accounting and IAS 19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is a scheduled body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body. Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We concluded that we could rely on the work of the actuary and that the values and entries from the actuarial report were correctly reflected in the draft financial statements.</p> <p>The Council re-engaged the actuary to produce an updated IAS 19 valuation to consider the impact of the McCloud ruling. The actuary was also able to consider the actual rather than estimated value of the Council's share of pension fund assets at year end.</p> <p>We were satisfied that the re-assessment of the IAS 19 liability is reasonable and that it has been correctly reflected in the revised financial statements.</p>
<p><b>Spring Capital Loan</b> : The Council entered into an agreement with Spring Capital to loan Spring Capital funds to purchase a nursing home and detached house in 2017/18. This is being used to provide Homeless Accommodation for the Council until such time as they can be developed for private residence. The Council may also lend Spring Capital the funds to develop the site if planning permission is granted. This is treated as a loan secured on assets at 6% return (rising to 7.5% return if the Loan To Value exceeds 70%).</p>	<p>We:</p> <ul style="list-style-type: none"> <li>• Confirmed the loan passes both the Solely Payments of Principal and Interest (SPPI) and Business Model tests under IFRS 9. The Council have therefore correctly held and disclosed the associated financial asset at amortised cost in its financial statements.</li> <li>• In line with the IFRS 9 we also considered whether the Council had correctly accounted for any expected credit losses (ECL). As the collateral exceeds the value of the loan we have concluded that the Council's assessment that no ECL is required to be accounted for is reasonable.</li> </ul> <p>We also noted that the total value of the loan is well below of our assessed level of performance materiality and therefore of itself does not present a risk of material misstatement.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
<p><b>CIES Restatement</b> : Restructuring undertaken in the period required the Council to re-analyse, re-present and re-state the portfolio analysis of its service level income and expenditure disclosed in the Comprehensive Income and Expenditure Statement (CIES). This required the restatement of relevant prior period information in the financial statements.</p>	<p>We did not identify any issues with regard to the restatement of the CIES, Expenditure and Funding Analysis and related disclosure notes.</p>
<p><b>Impact of COVID-19 on the Council's going concern assessment</b> : Following the confirmed outbreak of Covid-19 in the UK on 31 January 2020 and Government lockdown on 23 March 2020, the ongoing disruption to daily life and the economy as a result of the Covid-19 virus will have a pervasive impact upon the financial statements in 2019/20 and has affected the income received and expenditure incurred by the Council in 2020/21. Due to the significant uncertainty about the duration and extent of disruption, this has a direct impact on the Council's going concern assessment at the date of approving the amended statement of accounts.</p>	<p>We have reviewed and challenged management's assessment of going concern and agreed amendments to the disclosures in the Narrative Report, going concern and post balance sheet event disclosures.</p> <p>We included an emphasis of matter paragraph in our audit opinion to draw attention to the Council's going concern disclosure which describes the financial and operational consequences the Council is facing as a result of Covid-19. Our opinion is not modified in respect of this matter.</p>
<p>The Council has reviewed its Going Concern assessment as at July 2020, to consider whether or not there are any circumstances whereby it is not appropriate to prepare the accounts for 2018/19 on a going concern basis, in other words that the Council will continue to be a going concern 12 months from the date of signing the accounts as approved. This assessment typically takes into account income and expenditure and cashflow forecasts, uncertainties and risks associated with those flows, reserves and the ability to meet liabilities as they fall due.</p>	

# Financial Statement Audit (cont'd)

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £9.71m, which is 1.8% of gross revenue expenditure reported in the accounts of £539.2 million.</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p> <p>We determined planning materiality for the pension fund to be £10.39m, which is 1% of net assets in the accounts of £1,038m.</p>
Reporting threshold	<p>We agreed with the General Purposes and Licensing Committee that we would report to the Committee all audit differences in excess of £485,000 for the Council and £519,000 for the Pension Fund.</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits.
- ▶ Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Section 4

# Value for Money



# Value for Money

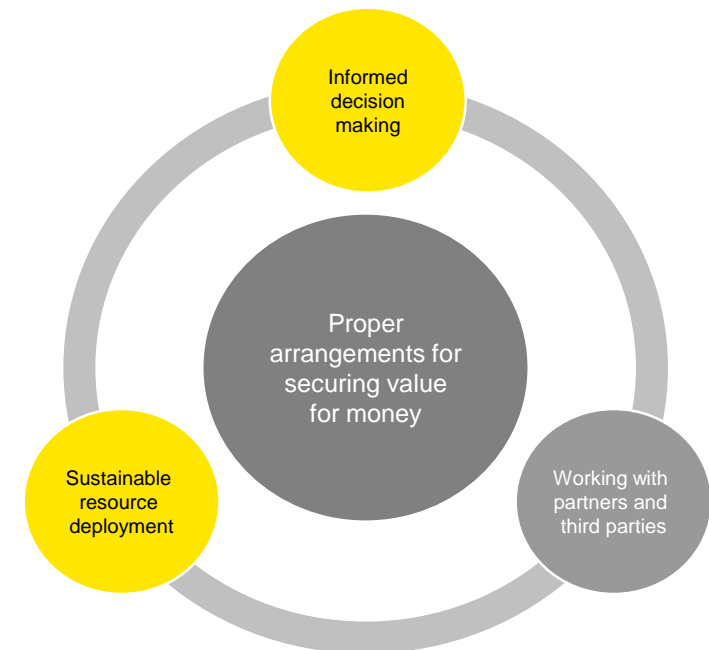
We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

At planning, we identified no significant risks relating to the Council's arrangements. We have updated our understanding of the Council's arrangements, including a consideration of its financial outturn and position and the specific risks and issues it currently faces, as part of our year-end programme of work. We have identified one significant risk relating the Council's arrangements for working with partners and other third partners, specifically in relation to procurement and contract management. We will provide more details of our assessment of the risk and our planned work once the objections relating to 2016/17 and 2017/18 have been concluded.

We are unable to conclude whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019 until we have concluded our work on the objection to the financial statements.



A photograph of a business meeting in progress. Several people are gathered around a large wooden conference table, looking at documents. A woman with blonde hair is leaning forward, resting her chin on her hand, looking intently at the papers. Other people's hands and arms are visible, some pointing at the documents. The background is slightly blurred, showing a bright, modern office environment with large windows and greenery.

Section 5

# Other Reporting Issues

# Other Reporting Issues

## **Whole of Government Accounts**

We were unable to report to the NAO on our review of the Council's WGA due to the delay in the completion of the audit.

## **Annual Governance Statement**

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

## **Report in the Public Interest**

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

## **Written Recommendations**

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

# Other Reporting Issues (cont'd)

## **Objections Received**

We have received an objection to the 2018/19 Statement of Accounts from a member of the public. We cannot formally conclude the audit and issue an audit certificate as we have not yet completed the work necessary to conclude the objection to the Council's 2018/19 Statement of Accounts. It is our view that even if the objection were resolved in the objector's favour, this would not materially affect the Statement of Accounts. We are unable to form a conclusion on whether we are satisfied that, in all significant respects, the London Borough of Bromley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019 until we complete the work necessary to conclude the objection.

The predecessor auditor, KPMG have not completed their work on objections relating to the 2016/17 accounts and 2017/18 accounts and have therefore not yet issued their completion certificates relating to those years of audit. Until we have completed these procedures and KPMG have issued their completion certificates, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

## **Other Powers and Duties**

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## **Independence**

We communicated our assessment of independence in our Audit Results Report to the General Purposes and Licensing Committee on 30 July 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## **Control Themes and Observations**

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

The recommendations reported are shown on the following page and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.



# Other Reporting Issues (cont'd)

Recommendation	Management Response
Clearly specify the requirements of the valuation in the valuation instruction to the external Valuer and monitor performance against this. Routinely obtain a signed valuation report from the Valuer in support of future asset valuations undertaken.	We will fully implement this recommendation with immediate effect and ensure a signed valuation report is received.
Use appropriately qualified and skilled staff in the Council to review the reasonableness of assets valuations undertaken prior to accounting for them in the financial statements.	Agreed.
Establish separate and discrete company codes on the General Ledger to fully separate Council and Pension Fund transactions.	The financial system currently holds a separate coding range to identify pension fund transactions and balances. However, the way in which the current financial system was configured on implementation in 2006 means that there is no capability to establish separate organisation units (company codes). This will be explored as part of the future financial systems options appraisal which is currently being considered and we plan to have this implemented no later than March 2022.
Use the separate Pension Fund bank account for Pension Fund cash transactions.	Some of the work required to implement this recommendation will impact on the Council's external contractor and this requirement was included in the recent tendering of the Exchequer Services contract. However, significant development work will be required to the Council's current financial system to allow the use of a separate bank account. This needs to be incorporated into the financial systems options appraisal to determine whether this work should proceed separately to any future decisions around potential system upgrades/ replacement and we plan to have this implemented no later than March 2022.
Establish a proportionate control so that at least significant value manual journals are subject to review and authorisation prior to processing on the General Ledger.	A process has been put in place for a sample of journals to be tested on a quarterly basis. This is rotated between members of the finance management team to ensure an independent check across all services. This is in addition to any testing undertaken by internal and external audit.
Establish a detailed asset register for all asset types.	During 2020/21 Finance will work with colleagues in the Property and Assets teams to establish detailed asset registers for Furniture, Equipment and Infrastructure Assets

Section 6

# Focused on your future



# Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
<b>IFRS 16 Leases</b>	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2021/22 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be updated, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the revised 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

Section 8

# Audit Fees

Page 44

# Audit Fees

As part of our reporting on our independence, we set out below a summary of the fees proposed for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements. Non-audit work is work not carried out under the Code.

Description	Final Fee 2018/19 £	Planned Fee 2018/19 £	Scale Fee 2018/19 £
Total Audit Fee - Code work	91,689	91,689	91,689
- Additional fees	127,482*		
- Objection	TBC**		
Total Audit Fee	TBC	91,689	91,689

\* Additional fees are in respect of additional work required to audit the asset valuations, auditing issues in relation to the finance systems, IT Tools and additional procedures required relating to post balance sheet events and going concern consultations. We are discussing our proposed additional fees with the Director of Finance before gaining formal approval from Public Sector Audit Appointments Ltd (PSAA) for the scale fee variation.

\*\* We will communicate the additional fee in respect of the objection once the work has been completed.

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ED None

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Report No.  
FSD20075

London Borough of Bromley

PART ONE - PUBLIC

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

**Date:**                   **Tuesday 3 November 2020**

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

**Title:**                   **THE REDMOND REVIEW OF LOCAL AUTHORITY FINANCIAL REPORTING AND EXTERNAL AUDIT**

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**Chief Officer:**       Peter Turner, Director of Finance  
Tel: 020 8313 4668   E-mail: [peter.turner@bromley.gov.uk](mailto:peter.turner@bromley.gov.uk)

**Ward:**                   Borough Wide

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1.    Reason for report

- 1.1   This report sets out the results of the Redmond Review of Local Authority Financial Reporting and External Audit as published on 8<sup>th</sup> September. The report contains a number of recommendations which, subject to further clarification and legislation, will impact on the Council in a number of areas.
- 

2.    **RECOMMENDATION(S)**

- 2.1   **The Committee is requested to consider and note the results of the Redmond Review of Local Authority Financial Reporting and External Audit (refer to the Appendix for the full report) and the recommendations contained therein.**

### Impact on Vulnerable Adults and Children

1. Summary of Impact: None arising directly from this report
- 

### 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: External Audit
  4. Total current budget for this head: £244,506 for the authority and £22,600 for the Pension Fund.
  5. Source of funding: Not Applicable
- 

### Personnel

1. Number of staff (current and additional): Not Applicable
  2. If from existing staff resources, number of staff hours: Not applicable
- 

### Legal

1. Legal Requirement: Statutory Requirement – The report concerns the statutory requirements required by the Local Audit and Accountability Act 2014
  2. Call-in: Not Applicable
- 

### Procurement

1. Summary of Procurement Implications: The report contains recommendations that may, at some point in the future, alter the mechanism by which the Council procures its external auditor.
- 

### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not applicable
- 

### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Council Wide



### 3. COMMENTARY

#### Background to the Review

3.1 The Redmond Review is one of four key reviews that have recently examined different aspects of the scope and quality of external audit in the UK, as set out below:

- Kingman Review into the Financial reporting Council (*published December 2018*)
- Competition and Market's Authority Review into the UK statutory audit market (*April 2019*)
- Brydon Review into the Quality and Effectiveness of Audit (*December 2019*)
- Redmond Review of the Quality of Local Authority Financial Reporting and External Audit (*September 2020*).

3.2 The Redmond review of local authority financial reporting and external audit was instigated in July 2019 by the [then] Communities Secretary Rt Hon James Brokenshire MP. The review focuses on the arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the Local Audit and Accountability Act 2014. The review considers the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough. Additionally, it also looked at whether the public has lost faith in auditors and whether the current audit arrangements for Councils are still 'fit for purpose'.

#### Scope of the Review

3.3 The review was led by the former President of CIPFA (Chartered Institute of Public Finance and Accountancy) Sir Tony Redmond. He is also a former local authority Treasurer and Chief Executive.

3.4 At the outset the following questions were identified as focus areas for the review:

- Have the financial savings from local audit reforms been realised?
- Is there a more accessible audit market and has there been an increase in audit providers?
- Have audit standards been maintained or improved, and not been compromised?
- Is there an 'expectation gap' in what external audit provides? What is the nature of the gap and how can it be filled?
- Are auditors properly responding to questions or objections by local taxpayers?
- Are auditors using their reporting powers in an appropriate way?
- Are audit recommendations effective in helping local authorities to improve their financial management?
- Are councils responding to auditor recommendations in an appropriate manner?
- Whether local authority accounts report financial performance including use of resources against budget in a manner that is transparent and comprehensible to Council Taxpayers and the general public?

- Does the financial information provided in local authority accounts facilitate scrutiny by local taxpayers and by the local press?

## **Recommendations**

- 3.5 The report makes a number of recommendations, many of which can be implemented without the need for primary legislation. However, the recommendation (described below) for the establishment of a new regulatory body will require a change in the law. Other important legislation on audit reform, implementing the Kingman and Brydon reviews is also pending.
- 3.6 The key recommendations made in the review are as follows:
- 3.6.1 Establishment of a new regulator OLAR (the Office of Local Audit and Regulation) to oversee, procure, manage and regulate the external audits of local authorities in England. If accepted, some of the existing regulatory responsibilities that currently sit with ICAEW, FRC, PSAA and the NAO would transfer to this new body.
- 3.6.2 Governance arrangements to be reviewed, such that:
- a) An annual report from the external auditor should be submitted to the first Full Council meeting after 30 September
  - b) Consideration given to having at least one independent member on local authority audit committees with sufficient training and expertise to support elected representatives in scrutinising local authority finances
  - c) There will be a formal requirement for the Head of Paid Service, Section 151 Officer and Monitoring Officer to meet at least annually with the Key Audit Partner of the external auditor
  - d) External Audit recognises Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Practice
  - e) A simplified standard financial statement of services and costs to be made available to the public and subject to audit. For 2020/21 the statement will be produced on a trial basis, and no audit will be required, with full implementation as an audited statement in 2021/22
  - f) The CIPFA-LASAAC Board to review the statutory accounts to see if improvements can be made to improve their usefulness and understandability
  - g) The deadline for publishing audited local authority accounts to be revisited with a view to extending it to 30<sup>th</sup> September (from 31<sup>st</sup> July).
- 3.7 A complete list of the recommendations and the corresponding detailed findings can be found in the full Report (refer to the Appendix). As and when the recommendations are codified in guidance or enacted through legislation, officers will update Members on the Council's response.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 Fees are agreed annually with the external auditor to cover the cost of their annual audit activity. For 2020/21 the proposed fee is under consideration.

## **5. LEGAL IMPLICATIONS**

- 5.1 The review focused on the arrangements for local authority financial reporting and auditing put in place by the Local Audit and Accountability Act 2014. Some of the recommendations in the Report will require primary legislation to be enacted.

## 6. PROCUREMENT IMPLICATIONS

- 6.1 The Redmond Review includes recommendations which, if implemented, will alter the procurement arrangements for local authority external auditors. Further details on this will be provide to Members

<b>Non-Applicable Sections:</b>	Impact on Vulnerable Adults and Children Policy, Personnel Implications.
Background Documents: (Access via Contact Officer)	None.

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# **Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting**

Sir Tony Redmond  
September 2020



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September 2020

The Rt Hon Robert Jenrick MP

Secretary of State for Housing, Communities and Local Government  
Ministry of Housing, Communities & Local Government  
2 Marsham Street  
London, SW1P 4DF

Dear Secretary of State,

In June 2019, I was asked to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting. I am grateful for the opportunity given to me by ministers to conduct this Review. Whilst conducting the Review my guiding principles have been accountability and transparency. How are local authorities accountable to service users and taxpayers and how are auditors accountable for the quality of their work; and how easy is it for those same individuals to understand how their local authority has performed and what assurance they can take from external audit work.

This report sets out my conclusions. It makes detailed proposals for a new organisation with the clarity of mission and purpose to act as the system leader for the local audit framework; and for a standardised statement of service information and costs, compared to the annual budget, that is aimed at taxpayers and service users.

As I conducted my work, it became clear that the local audit market is very fragile. The current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. In addition, the ambition of attracting new audit firms to the local authority market has not been realised. Without prompt action to implement my recommendations, there is a significant risk that the firms currently holding local audit contracts will withdraw from the market.

It will be possible to achieve part, but only part, of what needs to be done without legislation. However, it is important to emphasise that to fully achieve the vision set out in the Review, primary legislation will be essential. Only this can give the new organisation the tools it needs to do its job and to rebuild the sustainability of the local audit market.

I should like to thank:

- First, all those stakeholders who have engaged with the Review and responded to the Review's Call for Views;
- Second, the excellent team which has supported the Review's work: Ollie Hulme, Joe Pilgrim, Beth Addison and Gareth Caller; and
- Third, all the members of the Review's advisory group: Lynn Pamment, Maggie McGhee, Professor Laurence Ferry, Catherine Frances, Vicky Rock, Richard Hornby and Mark Holmes. This formidable group provided much wise guidance and counsel, as well as lively challenge and debate, for which I am hugely grateful.

Responsibility for the Review's conclusions and recommendations, is however, mine and mine alone.



**Sir Tony Redmond**

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## Executive Summary

- This Review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It has also considered whether the current means of reporting the Authority's annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound. It is important to note that this Review encompasses not only principal local authorities but also PCCs, Fire and Rescue Authorities, Parish Councils and Meetings and Drainage Boards.
- The Review has received 156 responses to the Calls for Views and carried out more than 100 interviews. Serious concerns have been expressed regarding the state of the local audit market and the ultimate effectiveness of the work undertaken by audit firms. This is not to say that the audits are carried out unprofessionally but there remains a question of whether such audit reports deliver full assurance on the financial sustainability and value for money of every authority subject to audit. A particular feature of the evidence submitted relates to concern about the balance of price and quality in the structure of audit contracts.
- A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process. Although there is some scope to effect alterations to the individual roles, appropriately fulfilled with the existing framework, this would not achieve the overriding objective of providing a coherent local audit function which offers assurance to stakeholders and the public in terms of performance and accountability of the local authority and the auditor.
- Consequently, a key recommendation is to create a new regulatory body responsible for procurement, contract management, regulation, and oversight of local audit. It is recognised that the new body will liaise with the Financial Reporting Council (FRC) with regard to its role in setting auditing standards. The engagement of audit firms to perform the local audit role would be accompanied by a new price/quality regime to ensure that audits were performed by auditors who possessed the skills, expertise and experience necessary to fulfil the audit of local authorities. These auditors would be held accountable for performance by the new regulator, underpinned by the updated code of local audit practice. A further recommendation is to formalise the engagement between local audit and Inspectorates to share findings which might have relevance to the bodies concerned.
- The Regulator would be supported by a Liaison Committee comprising key stakeholders and chaired by the Ministry of Housing, Communities and Local Government (MHCLG). The new regulatory body would be small and focused and would not represent a body which has the same or similar features as the Audit Commission.

- The report recognises that local audit is subject to less critical findings in respect of audit procurement and quality relating to smaller authorities. However, the recommendations include a review by Smaller Authorities' Audit Appointments (SAAA) of current arrangements relating to the proportionality of small authority audits together with the process for managing vexatious complaints where issues have been raised by those bodies which have experienced such challenges.
- Governance in respect of the consideration and management of audit reports by authorities has also been examined in considerable detail. Based on evidence presented, there is merit in authorities examining the composition of Audit Committees in order to ensure that the required knowledge and expertise are always present when considering reports, together with the requirement that at least an annual audit report to be submitted to Full Council. This demonstrates transparency and accountability from a public perspective which is currently lacking in many authorities.
- The issue of transparency is of equal relevance to the current presentation and publication of the annual accounts. Given that the feedback from practitioners and other key stakeholders revealed that current statutory accounts prepared by local authorities are considered to be impenetrable to the public, it is recommended that a simplified statement of service information and costs is prepared by each local authority in such a way as to enable comparison with the annual budget and council tax set for the year. This would enable Council taxpayers and service users to judge the performance of the local authority for each year of account. The new statement would be prepared in addition to the statutory accounts, which could be simplified. All means of communicating such information should be explored to achieve access to all communities.
- The outcome of this Review is designed to deliver a new framework for effective local audit and an annual financial statement which enables all stakeholders to hold local authorities to account for their performance together with a robust and effective audit reporting regime.
- Aside from the additional costs arising from a fee increase, the resource implications of the new regulatory body would amount to approximately £5m per annum after taking into account the amount related to staff subject to transfer under the TUPE arrangements.
- Implementation of recommendations contained in this Review would, in part, require regulatory or legislative change but it is important to note that many of the issues identified in this report require urgent attention, given the current concerns about local audit demonstrated in this Review.

## Recommendations

The recommendations of this Review are as follows:

### External Audit Regulation

1. A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:
  - procurement of local audit contracts;
  - producing annual reports summarising the state of local audit;
  - management of local audit contracts;
  - monitoring and review of local audit performance;
  - determining the code of local audit practice; and
  - regulating the local audit sector.
2. The current roles and responsibilities relating to local audit discharged by the:
  - Public Sector Audit Appointments (PSAA);
  - Institute of Chartered Accountants in England and Wales (ICAEW);
  - FRC/ARGA; and
  - The Comptroller and Auditor General (C&AG)to be transferred to the OLAR.
3. A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.
4. The governance arrangements within local authorities be reviewed by local councils with the purpose of:
  - an annual report being submitted to Full Council by the external auditor;
  - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
  - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.
5. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.
6. The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
7. That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
8. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.
9. External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.

10. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
11. The revised deadline for publication of audited local authority accounts be considered in consultation with NHSI(E) and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.
12. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.
13. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.

### Smaller Authorities Audit Regulation

14. SAAA considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations.
15. SAAA and OLAR examine the current arrangements for increasing audit activities and fees if a body's turnover exceeds £6.5m.
16. SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.

### Financial Resilience of local authorities

17. MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.
18. Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.

### Transparency of Financial Reporting

19. A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.
20. The standardised statement should be subject to external audit.
21. The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.
22. CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope

to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.

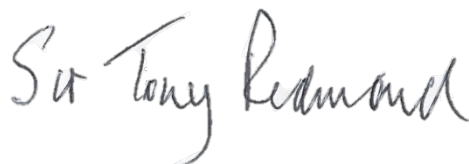
23. JPAG be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:
- Whether “Section 2 – the Accounting Statements” should be moved to the first page of the AGAR so that it is more prominent to readers;
  - Whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements; and
  - Whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements.

# 1. Introduction

- 1.1 The Local Audit and Accountability Act 2014 (the 2014 Act) introduced a new Audit regime for local government to replace the previous arrangements, under which the Audit Commission performed that role. This Review examines the effectiveness of local audit as now practised.
- 1.2 The purpose of the Review is to test not only the impact of external audit activity in local government but also to look, critically, at how this helps to demonstrate public accountability, particularly to service users and council taxpayers. In a similar context the brief of the Review extends to the issues of transparency in financial reporting of local authorities, with attention being directed towards whether the annual accounts and associated published financial information can be readily understood by the public.
- 1.3 The framework for local audit encompasses procurement, contract management and delivery, the code of audit practice and regulation and accountability for performance. All of these aspects of local audit have been examined in depth. Whilst the focus of this Review is on local audit and public accountability there are a number of related factors which have contributed to the shape and nature of the findings. Such matters include: the breadth and complexity of International Financial Reporting Standards (IFRS); the role of the sponsoring department (MHCLG); and the current state of the local audit market. Local authorities include Councils, Police and Crime Commissioners (PCCs), Fire and Rescue Authorities (FRAs), and National Parks Authorities. NHS bodies are not local authorities and are outside the scope of this Review.
- 1.4 It is also important to emphasise that the Review includes the functions of Police and Fire Services as well as Parish Councils and Drainage Boards and due regard has been paid to the specific requirements of these bodies, as appropriate.
- 1.5 Substantial evidence has been collated from the 'Call for Views' and individual stakeholder meetings and this has formed the basis of the Report's findings. The co-operation received from all interested parties including local government practitioners, audit firms, professional accounting bodies, academia and the media and the general public has been much appreciated. All parties who have participated in the Review share a desire to ensure local audit is effective and that public accountability is seen to be achieved. The approach to the Review has sought to harness those valuable contributions.
- 1.6 Attention has been paid to the findings of the Brydon and Kingman Reviews as well as the study carried out by the Competition and Markets Authority (CMA). Each of these reviews offers an insight into the principles and practices of auditors in the corporate sector, which have relevance to the public sector, including local government.
- 1.7 While testing the quality of outcomes has been a key feature of this approach, attention has been directed towards the governance arrangements in the way in which audit reports are managed and reported. The focus here has been on the level of

public awareness of audit findings. Current practices relating to the annual publication of financial information have also been reviewed with an emphasis on the transparency, access and intelligibility of such reports.

- 1.8 In examining options for change to the current local audit arrangements, account has also been taken of the potential resource implications of any new initiative or development contained in the recommendations.

A handwritten signature in black ink that reads "Sir Tony Redmond". The signature is written in a cursive, flowing style.

**Sir Tony Redmond**

## 2. The direction and regulation of local audit

### 2.1 Introduction

2.1.1 The direction and regulation of local audit must be structured as to enable public accountability to be served. Each stage of the local audit process must adhere to this and remain consistent throughout. Ultimately, the direction and regulation of audit must be coherent, consistent in quality monitoring and fulfil the public accountability principle. The test, therefore, is whether the current arrangements deliver that, or can be altered to achieve that, or whether a new structure for the local audit regulatory framework needs to be put in place.

2.1.2 Public Interest Reports may be seen as relating to the local community's serious concern, but these are rarely used. In any event, council taxpayers are entitled to know the outcome of the annual statutory audit whether it be positive or negative.

### 2.2 Overview of the Regulatory Framework

2.2.1 The 2014 Act split the responsibilities formerly carried out by the Audit Commission between a range of bodies. **Figure 2.1** summarises the entities that have a significant role or influence on the accounting, audit and governance framework within which local authorities operate.

2.2.2 Currently there are six different entities with a statutory role in overseeing and/or regulating elements of the local authority accounting and audit framework. This framework is further complicated by the fact that different elements apply to different sectors. The elements of the audit framework undertaken by the C&AG, FRC and the ICAEW apply jointly to the local authorities and NHS bodies in England. However, whereas PSAA is the appointing body for 98% of local authority audits, NHS bodies do not have an appointing body and as such appoint their own auditors. By comparison the accounting framework applies to local authorities in England, Scotland, Wales and Northern Ireland, but not to the NHS.

2.2.3 Another challenge is that the local authority sector is not the main focus for some of the regulatory bodies; specifically:

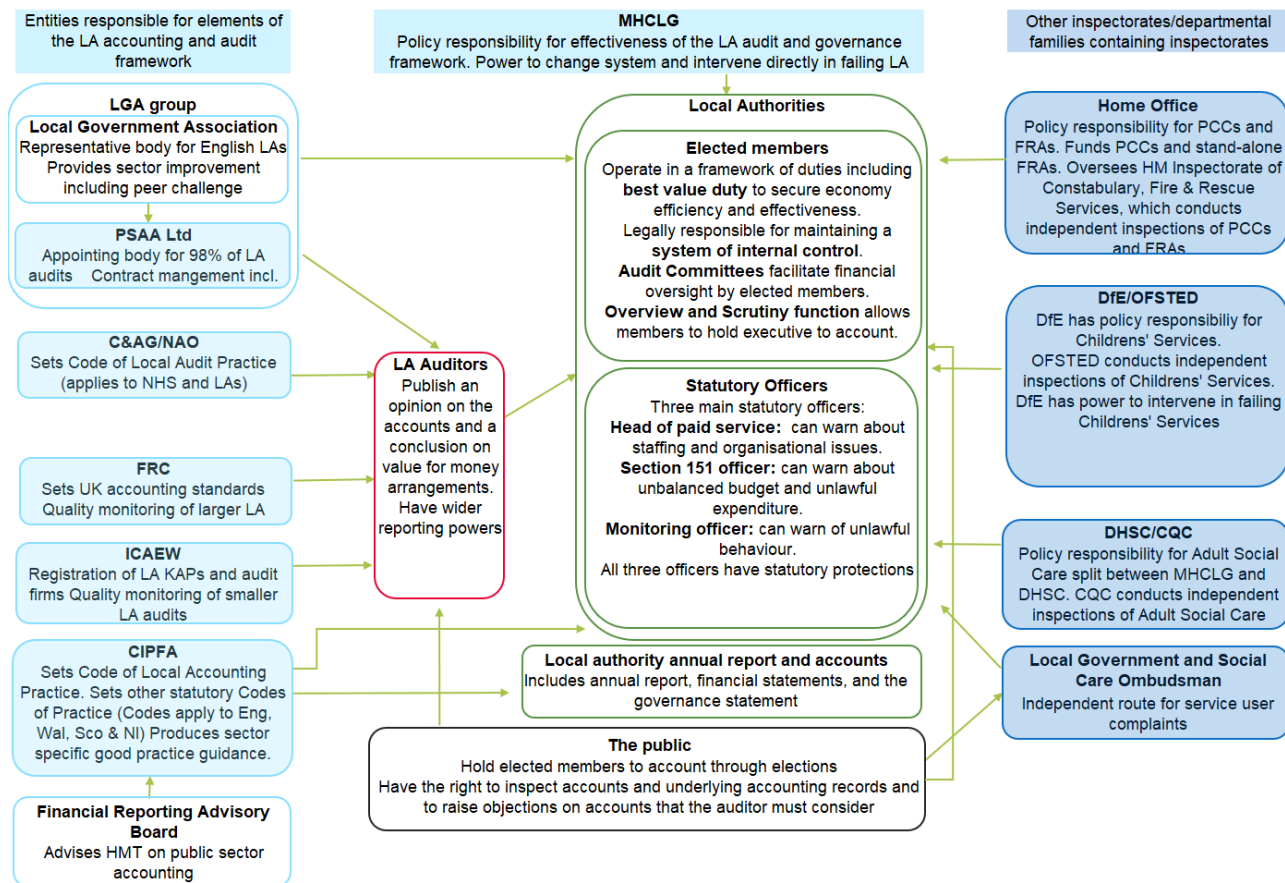
- The C&AG and National Audit Office's (NAO's) responsibilities relate mainly to holding central government departments to account on behalf of Parliament.
- The vast majority of the FRC's and the ICAEW's work relates to the private sector, and in the FRC's case, to regulating the audit and corporate governance arrangements within listed companies known as Public Interest Entities ("PIEs").

2.2.4 Finally, none of the six entities with responsibility for the different elements of the framework has a statutory responsibility, either to act as a system leader or to make sure that the framework operates in a joined-up and coherent manner. Although various ad hoc forums have been set up to share information, it is not clear how the membership and remit of these has been agreed. As a result, the lack of co-ordination and the lack of a system leader is widely recognised as a weakness in the framework by most of the stakeholder groups.



**Figure 2.1**

**The Local Authority Governance, Audit and Accounting Framework 2018-19**



**Notes**

1. Adapted from Figure 1 in NAO report *Local Authority Governance* (Jan 2019)
2. There are other statutory officers in local authorities, but between them, the three listed have overall responsibility for effective governance
3. Arrows show the influences on local authority governance arrangements
4. In a Police and Crime Commissioner or Fire and Rescue Authority, the Commissioner is the sole elected member; in a Mayoral Combined Authority, the mayor is the sole
5. Audit Committees are mandatory in PCCs, stand-alone FRAs and mayoral combined authorities. They are not mandatory for other LAs.
6. ICAS also has the power to act as a registering body for KAPs and audit firms. However, following mergers, no firms active in England are currently registered with ICAS.
7. MHCLG part funds the LGA's sector improvement work

**2.3 Functions of the bodies responsible for the framework**

**PSAA Ltd**

2.3.1 One of the original objectives behind the 2014 Act was to widen participation in the local audit market by allowing local authorities to appoint their own auditors. Once the Act had passed, it became clear that the auditor appointment provisions in the 2014 Act were onerous and there was little appetite amongst local authorities to appoint their own auditors. As a result, MHCLG ran a tender exercise to identify an entity which would act as an appointing person for local authority audits.

2.3.2 PSAA, a new company set up by the Local Government Association (LGA), was the only bidder and accordingly was designated as an appointing person under legislation. Under the transitional arrangements, PSAA was given the responsibility of managing the framework contracts let by the Audit Commission in 2012 and 2014, and during the period to 2017-18 producing a report summarising the results of local authority and NHS audits.

2.3.3 Category 1 Authorities<sup>1</sup> were given the choice of opting in or out of the PSAA arrangements. Most (currently 98%) chose to opt in.

2.3.4 In 2017 PSAA let the new local audit framework contracts, active from the 2018-19 financial year. PSAA's current responsibilities<sup>2</sup> are:

- To perform the functions of an appointing person for local authority audits;
- To take steps to ensure that public money is properly accounted for and protected;
- To oversee the delivery of consistent high quality and effective audit services; and
- To ensure effective management of audit contracts.

More detail on the contracting process and on audit quality is contained in **Chapters 3 and 4** respectively.

### The C&AG and the NAO

2.3.5 The C&AG is responsible for laying the Code of Local Audit Practice in Parliament. The C&AG is supported in this work by a small Local Audit Code and Guidance (LACG) team, which is part of the NAO. The LACG team is responsible for the preparation, maintenance and publication of the C&AG's Code of Audit Practice and supporting guidance to auditors. LACG undertakes the full range of activities associated with these responsibilities including:

- providing a point of contact to address significant issues raised by auditors and other stakeholders that may require the update of the Code of Audit Practice or issuing guidance to auditors; and
- facilitating timely engagement with, and advice to, auditors and other stakeholders to facilitate consistency of approach on significant issues – for example, through convening and providing secretariat support to a Local Auditors Advisory Group.

2.3.6 The 2014 Act provides the C&AG with the power to issue guidance to auditors which may explain or supplement the provisions of the Code of Audit Practice. The Act requires auditors to have regard to such guidance. The NAO maintains a series of Auditor Guidance Notes (AGNs) to support auditors in their work and facilitate consistency of approach between auditors of the same types of entity. The 2015 Code is supplemented by seven AGNs. These apply equally across local government and the NHS. The AGN on value for money arrangements is supplemented by sector specific supporting information.

2.3.7 The 2014 Act gives the C&AG the responsibility for undertaking value for money investigations on local government. However, the C&AG does not have the power to make recommendations directly to local authorities. This means that when a value for money study finds that one or more local authorities have breached either the letter or the spirit of the statutory framework, the accompanying recommendations must be addressed to MHCLG or Treasury, if they relate to the Public Works Loan Board, as the responsible central government departments.

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<sup>1</sup> "Category 1 authority" means a relevant authority that either— (a) is not a smaller authority; or (b) is a smaller authority that has chosen to prepare its accounts for the purpose of a full audit in accordance with regulation 8 of the Smaller Authorities Regulations

[https://www.legislation.gov.uk/uksi/2015/234/pdfs/ukxi\\_20150234\\_en.pdf](https://www.legislation.gov.uk/uksi/2015/234/pdfs/ukxi_20150234_en.pdf)

2.3.8 The main roles of the C&AG and the NAO are to support Parliament in holding government to account, through auditing the accounts of government departments and arms-length bodies and undertaking value for money investigations. When the NAO undertook the 2019 study on Local Authority Governance, which included work on local authority audit, the team did not include the Audit Code within the scope of the review. This was to avoid the risk of self-review. As a result, the findings of that report could not take account of an element of the governance framework.

### **The Financial Reporting Council**

2.3.9 The FRC is responsible for issuing standards and guidance to auditors for use in the UK. The suite of standards is known as *International Standards on Auditing (UK)*, and apply equally to audits of local authorities and entities in other sectors.

2.3.10 During the transitional arrangements operating from 2015-16 to 2017-18, the FRC had no formal responsibility for assessing the quality of local authority audit. PSAA took the decision to contract the FRC to undertake six quality assurance reviews of local authority audits, with coverage of at least one from each firm. In practice, the FRC conducted quality assurance reviews of seven audits in both 2016-17 and in 2017-18. This is because the FRC's methodology requires them to re-review all audits that received an unsatisfactory quality assurance review score in the prior year. The results of these quality reviews are discussed in **Chapter 4**.

2.3.11 From 2018-19, the FRC has taken on statutory responsibility for quality assurance reviews of the 230 larger local authority audits. It treats the NHS and local government bodies as a single population and, to maintain equivalence with their coverage of the audit of PIEs, look to cover at least 5% of that population in each year. For 2018-19, the sample included 3 NHS bodies and 12 local authorities. Because some of the audits originally selected for quality review were not complete when the FRCs Audit Quality Review team conducted its fieldwork, these had to be replaced with other audits. The results of the 2018-19 quality assurance reviews are expected to be available in the Autumn of 2020.

2.3.12 The methodology adopted for quality assuring audits in local authority sector is broadly equivalent to that of the Public Interest Entities sector. The review team focuses on what is on the audit file and assesses the extent to which that complies with the applicable quality framework. The document review is supplemented by meetings with the audit team and the Chair of the Audit Committee.

2.3.13 Formal client communications are included within the scope of the quality review. However, ongoing liaison between auditors and local authorities would be assessed only if included on the audit file.

2.3.14 Unlike for PIE audits, the FRC does not have the power to fine audit firms if the quality of their local authority audits proves to be deficient. However, all of the firms active in the market indicated that they are very conscious of the reputational damage of a poor rating from the FRC for one of their local authority audits.

2.3.15 FRC is of the view that the perception that it focuses mainly on asset valuations understates the scope of their quality reviews. It also believes that if a focus on asset

and pension valuations is inappropriate, this is the responsibility of the partnership between CIPFA (England, Northern Ireland and Wales) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) known as CIPFA/LASAAC to resolve, through modifications to the Accounting Code.

2.3.16 The FRC is in the process of being reconstituted as the Audit Reporting and Governance Authority (ARGA) in line with the recommendations made in the Kingman Review. Sir Donald Brydon also recently published a report that made a number of recommendations to develop corporate auditing as a profession. As the FRC and the Department for Business, Energy & Industrial Strategy (BEIS) consider these recommendations, there is a risk of divergence between the focus and methodologies used to quality assure external audit engagements. Managing this interaction will require ongoing engagement.

## **ICAEW**

2.3.17 The ICAEW has two statutory functions. Since 2015 it has been responsible for maintaining the register of audit firms and Key Audit Partners (KAP) authorised to sign off local authority audits; and since 2018-19 it has been responsible for quality assurance reviews of the 313 smaller local authority audits. The framework for approving firms and partners is tightly controlled by legislation.

2.3.18 Like the FRC, the ICAEW treats local authorities and NHS bodies as a single population for quality assurance review purposes. The 2018-19 quality assurance process is ongoing. ICAEW has selected 15 audits for quality assurance review, split roughly two thirds local government and one third health. The results of this quality assurance review process are not yet available.

2.3.19 Similarly to the FRC, the ICAEW quality assurance reviews focus on what is on the audit file and assesses the extent to which that complies with the applicable quality framework. The methodology used to assess the audits of English local authorities is the same as is used to assess audits undertaken by the Auditor General for Wales. This methodology does not require review teams to meet with Audit Committee chairs. As with the FRC, the ICAEW does not have any powers to fine or otherwise sanction auditors whose audits do not meet appropriate quality standards.

2.3.20 ICAEW and the FRC liaise to make sure that all audits fall within one or other of their sample populations and use, broadly, the same quality ratings. Both use well established methodologies to arrive at those ratings.

## **CIPFA**

2.3.21 CIPFA has a dual role. It has been given the statutory responsibility for producing many of the finance related codes of practice that local authorities are required to observe. At the same time, it is a professional institute that represents the majority of accountants working in the local government sector, including most CFOs.

2.3.22 The Accounting Code is prepared by a small secretariat employed by CIPFA who report to the CIPFA/LASAAC Accounting Code Board ("CIPFA/LASAAC"). CIPFA/LASAAC is responsible for preparing, maintaining,

developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom. Its membership primarily comprises accounts preparers representing the different types of authorities in England, Scotland, Wales and Northern Ireland, the Supreme Audit Institutions, and a representative of one of the external audit firms active in the sector in England. The FRC along with representatives of MHCLG and the Scottish, Welsh and Northern Irish governments have observer status on CIPFA/LASAAC.

2.3.23 In England CIPFA/LASAAC is supported by a CIPFA facilitated Local Authority Accounting Panel, which focuses on local government accounting and financial reporting issues and produces guidance for practitioners.

2.3.24 The Accounting Code could be characterised as long and complex. Part of the reason for this is the challenge of writing a Code that covers four countries, each of which has its individual statutory framework with a different set of statutory adjustments and disclosures. In addition to this, CIPFA has taken the decision to draft a highly prescriptive Code that provides detailed guidance on the correct accounting for each class of transactions. An alternative approach would be to draft a principles-based Code, which requires local authorities to comply with generally accepted accounting practice (“GAAP”) and only provides detailed guidance where GAAP is adapted or interpreted, specifically for the local authority context. **Chapter 7** covers the accounting framework in more detail.

### **Assessment of whether an existing body could act as the system leader**

2.3.25 The detailed analysis of the bodies responsible for the framework supports the conclusion reached in Sir John Kingman’s Independent Review of the Financial Reporting Council:

*“The structure is fragmented and piecemeal. Public sector specialist expertise is now dispersed around different bodies. The structure means also that no one body is looking for systemic problems, and there is no apparent co-ordination between parties to determine and act on emerging risks”<sup>2</sup>*

2.3.26 The Kingman Review recommended that the fragmented structure be resolved by designating a single body as the system leader. When asked whether an existing body or a new body would be best placed to take on the role of a system leader, 82% of respondents expressed a preference for a single regulatory body. Many stakeholders who were interviewed also agreed. The other suggestions made were either that the C&AG or the FRC should take the role of system leader.

2.3.27 The C&AG clearly has the relevant experience and expertise to take on such a role. However, taking on responsibility for an element of a framework that is the policy responsibility of a government department could significantly increase the risk of a conflict of interest with the C&AG’s main responsibility, which, as already stated, is to hold government departments to account on behalf of Parliament.

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<sup>2</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/767387/frc-independent-review-final-report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/767387/frc-independent-review-final-report.pdf)

2.3.28 As the regulator for the audit profession in the UK, the FRC will continue to have an important role in setting standards for all external auditors, including those working in local public audit. However, the FRC's main focus is corporate sector external audit, and to be fully effective the system leader for local public audit will need to demonstrate detailed expertise and a clear focus on that sector.

## **2.4 Interactions with other inspectorates**

2.4.1 There are a number of other inspectorates who cover the local authority sector. Ofsted and the CQC assess the effectiveness of children's services and adult social care respectively in authorities with those statutory responsibilities; HM Inspectorate of the Constabulary and Fire and Rescue Services (HMICFRS) undertakes independent inspections of PCCs and FRAs covering both service delivery and financial planning; the Local Government and Social Care Ombudsman (LGSCO) looks at individual complaints against councils, all adult social care providers in both public and private sector, FRAs, and some other organisations providing local public services; and the Independent Office for Police Conduct performs the same function for PCCs.

2.4.2 Evidence suggests that where a local authority receives an "Inadequate" rating for its children's services, the auditor as a general rule qualifies the value for money conclusion. For example; when PSAA published its summary report on the results of 2017-18 audit work, it listed 32 qualified Value for Money (VfM) opinions; half of these were due to an "inadequate" Ofsted rating<sup>3</sup>. The auditor's value for money conclusion remains qualified until a future Ofsted inspection finds that children's services are no longer "Inadequate". Local authorities questioned the benefits of including Ofsted judgements in the audit report. The circumstances supporting an "inadequate" Ofsted rating are fully explained in a detailed and publicly available report. In the light of this there is a question as to how qualifying the VfM opinion solely for this reason fully reflects the governance arrangements within the authority that could be brought to the attention of elected representatives and other key stakeholders. When asked whether a value for money opinion should be qualified solely because a local authority has received an inadequate Ofsted opinion or a similar opinion from another inspectorate, 97% of respondents thought that it should not. There is no evidence of reports by other inspectorates leading to modifications to the auditor's opinion.

2.4.3 We have been told by external audit firms and local authorities that external auditors utilise inspectorate reports on a case by case basis. There is little evidence of any additional dialogue between external audit and other inspectorates to discuss inspectorate reports or take into consideration any improvements that a local authority may have made since an inspectorate rating had been issued. This is a change from practice since prior to 2015, where external auditors and inspectorates liaised much more frequently. Whilst external audit firms were broadly in agreement that there should be engagement with inspectorates, many felt that the current arrangements were sufficient.

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<sup>3</sup> [Report on the results of auditor's work \(Oct 2018\)](#) – list of qualified opinions will not include LAs where the 2017-18 audit was concluded after the PSAA report was published.

2.4.4 Whilst recognising that each inspectorate focuses on a different area, there is a question as to whether more liaison may add value. Many examples of service delivery and financial failures are underpinned by weaknesses in governance and senior leadership. Given this, it may be valuable for the auditor or an inspector that has concerns, to find out if those concerns are reflected in other areas of a local authority's business or indicative of wider financial resilience issues.

## **2.5 The role of MHCLG**

2.5.1 The Ministry of Housing, Communities and Local Government (MHCLG) has a statutory role in regulating and monitoring the financing and service delivery of local government. The Accounting Officer within the Department has responsibility for overall expenditure control within local authorities given the funding regime under which the sector operates. In addition, he has policy responsibility for the effective operation of the local authority audit and accounting framework.

2.5.2 Support to the Accounting Officer in fulfilling these responsibilities is split between two directorates:

- Local Government Finance; and
- Local Government and Communities (formerly Local Government Policy)

### **Local Government Finance**

2.5.3 This Directorate covers payments to local authorities through the grant system, has responsibility for business rates and council tax policy, oversees borrowing, capital and fiscal arrangements and is responsible for assessing the financial sustainability of local government. When a local authority experiences financial difficulty, it is the Local Government Finance Directorate that usually leads the government response. It also provides the MHCLG representation on CIPFA's accounting panels.

### **Local Government and Communities**

2.5.4 This Directorate has overall responsibility for MHCLG's local government assurance framework as set out in the Accounting Officer's system statement. Regular advice is given to the Accounting Officer on whether the framework for which he is responsible is operating effectively.

2.5.5 The directorate includes a team that maintains a view of local authorities where concerns exist about financial resilience, service delivery or officer/member conduct issues. In appropriate circumstances this may lead to statutory interventions into local authorities or, alternatively, statutory support. Qualified audit opinions are considered a part of this view.

2.5.6 Another team has responsibility for the local audit policy framework, the 2014 Act and the Accounts and Regulations 2015, managing relationships with PSAA, SAAA, NAO, ICAEW, Institute of Chartered Accountants of Scotland (ICAS) and FRC insofar as their activities relate to the local audit framework and logging Public Interest Reports.

2.5.7 In 2014 the team responsible for local audit set up a Local Audit Delivery Board to support implementation of the 2014 Act. In 2018, it became the Local Audit Monitoring

Board, with revised terms of reference and expanded membership. The Board comprises representatives of relevant departments and framework bodies to facilitate sharing of information about the operation of the framework. This Board is a consultative body, that holds meetings in private and has no formal powers or remit.

- 2.5.8 In viewing these roles from a local authority perspective, it is clear that MHCLG provides a national oversight of the financing of local government, capital and revenue spending, accounting arrangements and financial resilience. This work is substantial and seeks to offer assurance regarding the financial stability of individual local authorities and it includes, within its brief, responsibility for testing adherence to legislation and regulations governing local audit.
- 2.5.9 The responsibility for regulating local audit sits elsewhere yet MHCLG has a key role in offering assurance about the financial health of local authorities. The intelligence network and information flow relating to accounting and audit reporting on financial sustainability should reach MHCLG in a structured, timely and coordinated fashion. Given the strategic roles that the Department and The Accounting Officer carry it is crucial that systems and procedures are in place to enable this to happen. Clarity, coherence and consistency in fulfilling the Department's role are key to helping to ensure effective local audit.



### 3. Procurement of local audit

#### 3.1 Statutory framework and eligibility criteria

3.1.1 In order to bid for a local authority audit, both audit firms and every individual responsible for signing off an audit opinion, typically but not always a KAP, needs to be pre-approved either by ICAEW or ICAS. Eligibility criteria are set out in Schedule 5 to the 2014 Act. These criteria stipulate that it is impossible to bid for local authority audits unless both the firm and each nominated KAP has recent experience of undertaking local authority audits. It is difficult for new entrants to enter the local authority market as a consequence of these criteria as audit firms not currently in the market are unable to gain the relative knowledge and expertise that would be required to become a KAP.

3.1.2 Despite the high barriers to entry, since 2016 there has been a 7% increase in the number of KAPs eligible to sign off local authority Audits. Firms active in the market continue to register new KAPs. 39% of KAPs currently registered were not KAPs in 2016, with the firms with a smaller market share being responsible for much of this increase. However, the headline KAP figure is slightly misleading. The number of KAPs has declined by 13% once those who are working for firms who do not currently hold contracts with PSAA are excluded.

**Figure 3.1**

Number of Key Audit Partners registered with ICAEW

Firm	2016	2020
BDO	5	7
EY	13	16
GT	32	26
Mazars	4	10
KPMG	22	23
Deloitte	6	8
<b>Total KAPs</b> (Firms holding contracts with PSAA)	76*	67*
Cardens	0	1
Moore Stephens	2	0
PWC	12	9
Scott-Moncrieff	0	3
<b>Total KAPs</b>	96	103

\* Deloitte did not hold any PSAA contracts in 2016. KPMG does not currently hold any PSAA contracts.

3.1.3 There is a risk that the Competition and Markets Authority: Statutory Audit Services Market Study<sup>4</sup> recommendation to implement an operational split between the Big Four's audit and non-audit businesses, to ensure maximum focus on audit quality will further reduce the number of KAPs qualified to sign off local authority audits. KAPs may be responsible for a mixture of external audit, internal audit and consultancy engagements. If required to choose between specialisms, there is, of course, no guarantee that they will opt for external audit.

<sup>4</sup> See Annex 5 for a more detailed analysis of the potential impacts of the CMA, Kingman and Brydon recommendations for local audit.

## 3.2 The 2017 procurement process

- 3.2.1 As detailed in **Chapter 2**, PSAA took over the administration of the bulk audit contracts let by the Audit Commission in 2014. These ran from 2015-16 to 2017-18. They comprised five lots let on a regional basis. In 2017 PSAA ran a new procurement to contract for local authority audits for the period 2018-19 to 2022-23.
- 3.2.2 PSAA chose to split lots by market share rather than on a regional basis. The reason for this was a concern that some regions could prove less popular with bidders than others. They also checked for potential conflicts of interest. Five lots comprising between 40% and 5% of the total market were let, each for a period of five years. No firm could win more than one lot. A sixth lot with no guaranteed work was let, with the aim of providing some resilience in the market.
- 3.2.3 Local authorities were notified of the lot to which they had been allocated and were given the opportunity to request transfer to a different lot; for example, if they were in a shared service arrangement with an authority in a different lot. Seven local authorities asked for their audit to be transferred to a different lot. Five of these requests were accepted.
- 3.2.4 Of the nine firms registered to undertake local authority audits seven bid for one or more lots. One firm decided not to bid and a second was excluded from the bidding process by PSAA because it felt the firm was too small to have a realistic chance of submitting a competitive bid.
- 3.2.5 Assessment of audit firms was split 50:50 between price and quality, compared to the final Audit Commission procurement which was done on a price quality ratio of 60:40. The team assessing quality scores was not given sight of the price each firm had bid. In addition, PSAA asked an ex-District Auditor working for the LGA to quality assure the assessors' quality scores. The assessment of quality was based solely on the tender documents submitted. Past performance was not considered.
- 3.2.6 One of the firms bid at a much higher price point than the other firms. This generated such a low "price" score that it was effectively impossible for its quality score to make up sufficient difference to win a lot.
- 3.2.7 Although the headline quality price ratio was 50:50, as highlighted in **Figure 3.2**, many of the questions included in the quality score do not directly relate to factors impacting audit quality.
- 3.2.8 Four firms bid for the largest two lots (including the firm who priced themselves out of the market); and six for the remaining four lots. Each successful firm was eliminated from consideration for each smaller lot, leaving only two firms from which to choose when awarding Lot 5.
- 3.2.9 After excluding the firm that priced itself out of the market, the firms awarded the five contracts were those with the highest quality scores. The firm with the highest quality score won the largest lot; the second highest quality score the second highest lot; and

there was a marginal difference between the quality scores for the other successful firms.

**Figure 3.2: Audit Quality Questions – PSAA tender document**

Question number	Question	Weighting	Maximum weighted score
1.1 and 1.2	Confirmation of information in SQ Response; and other declarations; Guarantee (if applicable) and completed, unqualified Form of Tender	N/A	N/A
2.1	Identifying and addressing risks and issues and engaging with different stakeholders	0.5	5
2.2	Continuing professional development	0.2	2
3.1	Providing a clearly articulated audit plan to address the risks identified, and arrangements for carrying out the planned work effectively	1	10
3.2	Information assurance	N/A	N/A
4.1	Quality assurance arrangements to ensure that local audits are undertaken to a consistently high standard	0.6	6
5.1	Schedule of staff	N/A	N/A
5.2	Details of resourcing	0.5	5
5.3	Details and role of Contact Partner	0.3	3
6.1	Selection of a team to work on an individual audit	0.5	5
6.2	Arrangements for discharging statutory reporting responsibilities under the Local Audit and Accountability Act 2014, managing authority and public expectations	0.4	4
7.1	Arrangements to ensure a smooth transition for audits of local government bodies transferring between audit firms	0.5	5
8.1	Opportunities to be commenced and completed	0.3	3
8.2	Other economic, social and environmental initiatives to be undertaken	0.2	2
<b>Overall quality score</b>			<b>50</b>
<b>Price</b>	Ranking of Bid Rate %	1	50%
<b>Overall score (quality and price combined)</b>			

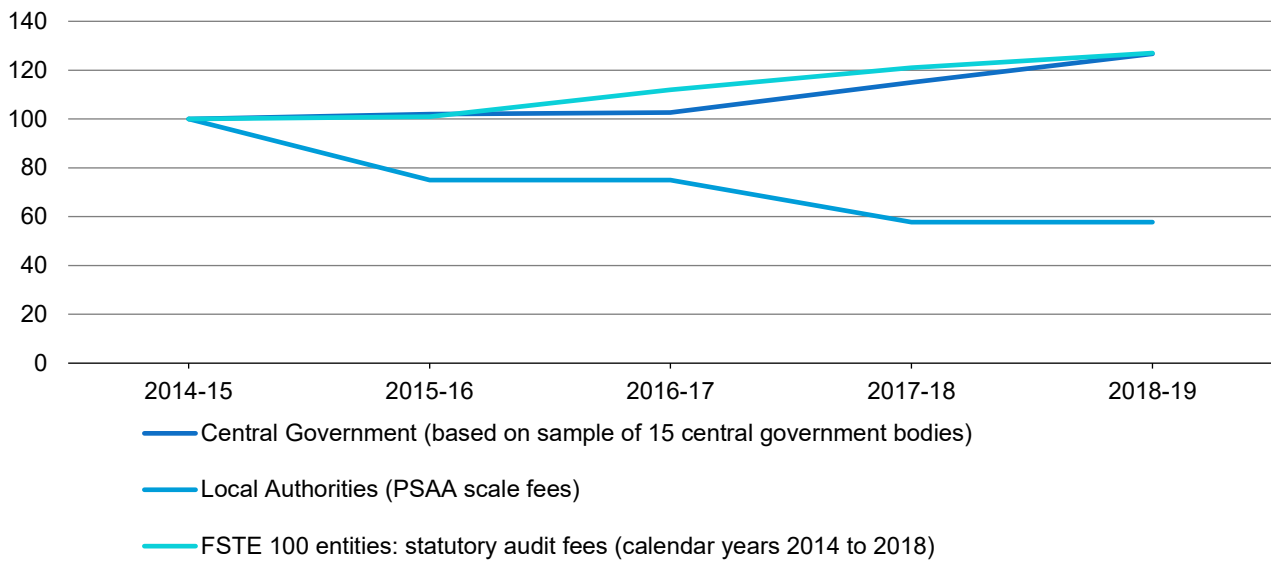
*Questions 2.1, 3.1 and 4.1 are direct indicators of quality.*

3.2.10 Lot six was designed to provide spare capacity in the market. However, this has not worked as intended, in part because mergers mean that the firm that won Lot 6 no longer exists.

3.2.11 As demonstrated by **Figure 3.3**, audit fees in the local authority sector have dropped significantly at the same time that audit fees in other sectors have significantly risen. As well as the overall external audit fee paid by the sector declining in cash terms it has also dropped as a percentage of net current expenditure of local authorities, from 0.05% in 2014-15 to 0.04% in 2018-19. Within the sector there are further variations with PCCs and Local Authority Pension Funds typically paying much lower audit fees as a percentage of net expenditure than other types of local authorities.

**Figure 3.3**

Sector by sector comparison of change in audit fees over time



**Notes**

1 2014/15 base 100

### 3.3 Translating bids into audit fees paid by LAs

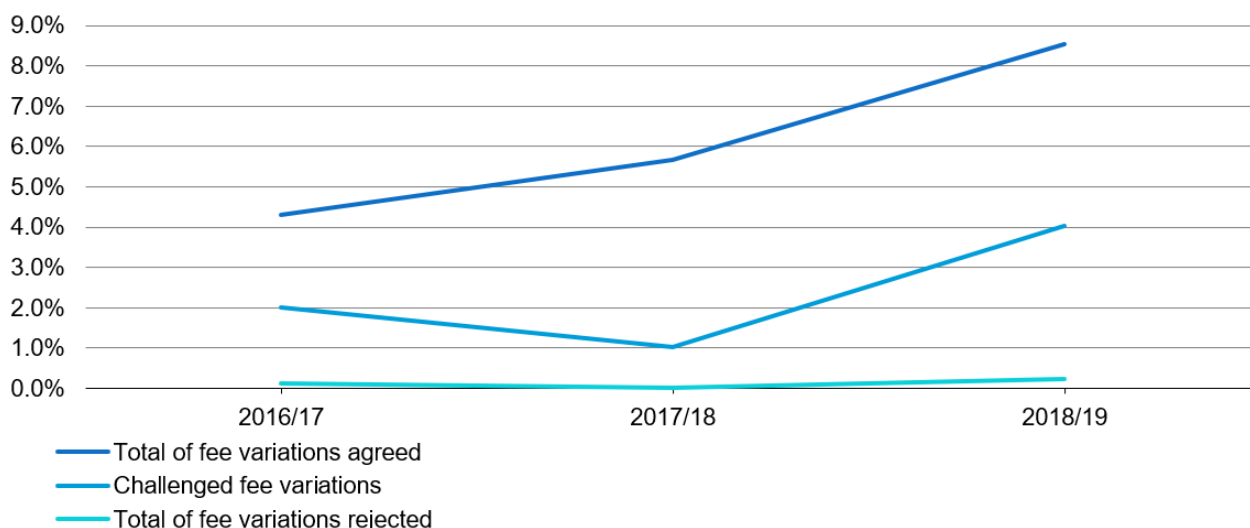
- 3.3.1 PSAA told the Review that the scale fee paid by individual LAs under the current contracts has been calculated by taking the total annual fee paid to external auditors under the contract and adding PSAA's margin; comparing the total amount paid to the total amount paid under the 2014 contracting process; and applying the percentage reduction in total amount paid equally across all local authority audits.
- 3.3.2 The Audit Commission adopted the same approach for allocating fees to individual local authorities when it let the 2012 and 2014 contracts. This means that no assessment of the amount it would cost to audit each local authority based on their level of audit risk has been made in the past ten years.
- 3.3.3 Since 2010, there have been changes to the major powers and duties of local authorities and to the business environment within which they operate. Individual local authorities will have been impacted by these changes to differing extents. As a result, there is no guarantee that the fee paid by each local authority accurately reflects the risk profile or amount of audit work required for their external audit.
- 3.3.4 88% of local authorities who responded to the Call for Views think that the current procurement process does not drive the right balance between cost reduction, quality of work, volume of external auditors and mix of staff undertaking the work.
- 3.3.5 Audit fees for those local authorities who have opted out of the PSAA arrangements have changed in a way similar to fees for those who have opted in.

### 3.4 Fee variations and contract management

- 3.4.1 When an auditor requests a fee variation, this must be agreed by PSAA<sup>5</sup>. In practice, PSAA may challenge fee variations by asking for more information from the firm but expects the auditor and the local authority to come to an agreement as to the additional fee to be paid. PSAA records and monitors this activity. It may also facilitate a conversation between the auditor and local authority in the case of disagreement.
- 3.4.2 As demonstrated by **Figure 3.4** the number and size of fee variation requests have increased over time. Fee variation requests are often received some months after audits are completed, which means it is difficult to assess the true level of fees paid by the sector. As delayed audits are more likely to generate issues that require more work and thereby attract fee variations, and some firms are not always prompt in submitting fee variations, there are likely to be some requests outstanding relating to 2017-18 and 2018-19 audits.
- 3.4.3 Audit firms consider the fee variation process to be unsatisfactory. They have raised concerns that the scope to claim fee variations is not sufficient to meet their costs. Increasing the scale fee, to reflect changes in regulatory requirements is for practical purposes not possible under the current arrangements.
- 3.4.4 The majority of local authorities' representatives who offered a view on fee variations also considered them to be unsatisfactory. A concern, which has been raised by a not insignificant number of authorities, is the fact that fee variation requests are not always supported by any evidence of additional work done. Some local authorities passed examples to the Review of auditors, representing more than one audit firm, refusing to provide evidence to support a requested fee variation.

**Figure 3.4**

Fee variations as a percentage of total scale fees



**Notes**

- 1 Transitional arrangements in 2016-17 & 2017-18, PSAA contract in 2018-19.
- 2 Some fee variation requests for 2018-19 audits still to be received and agreed.

<sup>5</sup> <https://www.psa.co.uk/wp-content/uploads/2019/12/PSAA-fee-variation-process.pdf>

- 3.4.5 Some local authorities questioned why they have been asked to join a call with a significant number of a firm's technical experts, most of whom do not contribute to the discussion, when they need to resolve technical accounting issues. They have questioned whether the costs of these calls are factored into later fee variation requests.
- 3.4.6 Fee variations can be submitted at any time which increases uncertainty for local authorities. In addition, some local authorities have claimed that they were led to believe by their auditors that they would refuse to sign off their accounts until they agreed a fee variation.
- 3.4.7 Finally, some authorities have also claimed that they are being asked to fund the costs of additional audit fieldwork because auditors have not resourced the planned audit visit properly and as a result, need to conduct additional audit testing. It has not been possible to assess whether this is happening or how widespread is the practice.
- 3.4.8 For the 2019-20 audit cycle, PSAA has taken steps to manage fee variations more proactively. Rather than wait for fee variations to be submitted, PSAA has asked all of the firms active in the market to estimate the additional fee required to ensure that their audit work and audit files meet current quality standards. Four of the firms have suggested that an increase of between 15% to 25% on the scale fee is required with the fifth firm requesting an increase of 100% on the scale fee. PSAA informed local authorities that it expects audit firms to provide fee variation information at the earliest possible opportunity, and that PSAA has emphasised this to the firms in its recent auditor communications. PSAA is currently in the process of reviewing how each firm's standard audit testing programmes have changed over the past three audit cycles to identify whether the increases requested are justified. PSAA will use this work to enable it to provide reassurance to audited bodies that extra work has been validated.
- 3.4.9 Some local authorities have suggested that PSAA has an incentive to approve fee variations as they are funded through making a margin on audit fees. This is not correct. Because PSAA calculates its margin on a total system cost, it is not possible for local authorities to calculate how much of each audit fee or fee variation is due to PSAA. However, as a not for profit company, PSAA has no incentive to claim more funding than it is entitled to. The company's Articles of Association requires PSAA to return surpluses to the sector. In late 2019, under the transitional arrangement, a distribution of the surplus funds of £3,500,000 (9.3% of the 17-18 scale fee £37.6m) was approved by the Board to be returned to the sector, apportioned between local authorities on a scale fee basis. This might be interpreted as an effective transfer of funds from LAs charged fee variations to those who have not been charged variations.
- 3.4.10 Some LAs have stated through interviews, that PSAA's role is opaque and that they feel that they have no route to challenge audit fees that they feel are unfair or to raise concerns relating to poor quality or delayed audits. The contract provides no mechanism for individual LAs to complain about the service they receive from their auditors.

3.4.11 PSAA states that its role as defined under statute does not include active contract management and it does not currently have the expertise to do so. However, in the *Local Audit (Appointing Person) Regulations 2015* the additional functions of appointing person include requirements to:

*“monitor compliance by a local auditor against the contractual obligations in an audit contract... [and] resolve disputes or complaints from— (aa)local auditors, opted in authorities and local government electors relating to audit contracts and the carrying out of audit work by auditors it has appointed.”<sup>6</sup>*

3.4.12 During the transitional period implementing the new arrangements (2015-16 to 2017-18), there was a Memorandum of Understanding (MoU) between MHCLG and PSAA, which required PSAA to fulfil its statutory functions. When the MoU expired MHCLG did not renew it.

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<sup>6</sup> <https://www.legislation.gov.uk/ukdsi/2015/9780111126134>

## 4. Audit performance

### 4.1 Introduction to local authority audit

4.1.1 Auditors of local authorities provide two audit opinions. These are:

- A financial audit opinion; and
- An opinion on the effectiveness of the systems in place to meet the best value duty (known as the 'value for money' opinion).

#### Scope of financial audit opinion

4.1.2 The purpose of a financial audit is to form an opinion on a set of financial statements. Financial audits are required to be conducted in accordance with International Standards on Auditing – UK (ISAs). The auditor is required to certify whether the financial statements are free from *material* misstatement and are properly prepared in accordance with the relevant accounting and legislative framework. For local authorities, the relevant accounting framework is the Code of Accounting Practice prepared by CIPFA.

4.1.3 In a local authority context, the audit opinion covers the financial statements, the Collection Fund Account and the Housing Revenue Account. It does not cover the narrative statement or annual governance statement. These are covered by what is known as a 'negative assurance' or 'consistent with' opinion. The auditor is required to read these statements to confirm that there is nothing inconsistent or misleading based on what is reported in the accounts and their understanding of the business. If these statements contain information which is misleading or inconsistent, auditors should insist that the relevant sections are appropriately reworded or removed. If not, no further work is required.

4.1.4 Materiality is a key concept in financial audits. Errors or misstatements are material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions that users take on the basis of the financial statements. Auditors are not required to take account of individual users, but do need to assess them as a group.

4.1.5 Auditors do not test every transaction supporting a set of financial statements. Instead they split the financial statements into groups of transactions with similar characteristics and assess the risks of material misstatement for each. The amount and types of audit testing for each of these areas is informed by this risk assessment.

4.1.6 It therefore follows that the key factors in delivering a quality audit are understanding the needs of the users of the accounts; and undertaking an effective risk assessment informed by a proper awareness of the business.

#### Scope of value for money opinion

4.1.7 The framework for the value for money opinion is set out in the NAO's Statutory Code of Audit Practice, published in April 2015.<sup>7</sup> ISAs do not apply to VfM audits.

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<sup>7</sup> <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>



4.1.8 The 2015 Audit Code requires auditors to:

*“undertake sufficient work to be able to satisfy themselves as to whether, in the auditor’s view, the audited body has put arrangements in place that support the achievement of value for money. In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period.”*

4.1.9 The Audit Code goes on to say:

*“Ultimately, it is a matter for the auditor’s judgement on the extent of work necessary to support their conclusion on value-for-money arrangements”.*

4.1.10 The Audit Code requires documentation of the overall conclusion, consideration of risk and of the planned response and work done to address significant risks. If there are no significant risks, the Code does not explicitly require documentation of work done.

### **Changes introduced by the 2020 Code of Audit Practice**

4.1.11 In 2020, the C&AG published a new Code of Local Audit Practice. This is effective from the 2020-21 financial year. The main changes made are in respect of the value for money opinion and supporting work and have been broadly welcomed by auditors and those local authorities who have so far expressed a view.

4.1.12 The binary audit opinion on whether appropriate arrangements are in place has been replaced by a commentary on:

- *Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;*
- *Governance: how the body ensures that it makes informed decisions and properly manages its risks; and*
- *Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.*

In addition, the updated Code will explicitly require auditors to document clearly the work that they have done to support their findings.

4.1.13 The consultation on the supplementary statutory guidance issued by the NAO to support the new Code closed on 2 September 2020. Once this guidance is finalised auditors will need to consider the factors including the following:

- whether a revised risk assessment is required;
- how to design an approach that moves away from obtaining evidence to support a binary audit opinion, to one that generates information to support a commentary on the arrangements in place.
- whether additional or different types of audit testing will be required, and how to structure and produce the new narrative reports.

## Other statutory duties and powers

4.1.14 In addition, auditors of local authorities have other statutory powers and duties. These are:

- The power to issue a Public Interest Report at any time;
- The power to issue statutory recommendations to management, copied to the Secretary of State;
- The power to issue an advisory notice setting out potential illegal expenditure;
- The power to apply to the Courts to have unlawful expenditure disallowed;
- The duty to consider qualifying whistleblowing disclosures; and
- The duty to respond to objections raised by electors or other relevant persons.

The Audit Code includes guidance on the scenarios that might give rise to use of these powers and duties. Use of the powers along with the work required to support reports, recommendations and responses to objections is a matter of judgement.

## 4.2 Defining audit quality

4.2.1 Audit quality is a key determinant of audit performance and this must be seen, not only as a measure against agreed standards and principles, but also whether the output of an audit is seen to meet the legitimate expectations of council taxpayers and other users of accounts.

4.2.2 Financial audit is fundamental to these requirements to give assurance to the reader that the accounts are properly prepared and fairly reflect the council's financial position and use of resources.

4.2.3 Value for money audit should be designed to provide the reader with assurance that the systems in place for use of resources in an effective and efficient way are adequate and appropriate, and that the local authority plans will deliver financial resilience in the immediate and medium term.

4.2.4 The effectiveness of audit also depends on the usefulness, impact and timeliness of auditor reporting. Consideration of Public Interest Reports and Statutory Recommendations is relevant here. Finally, the effectiveness of audit also depends on the Authority's response to audit recommendations. This is a wider definition than that currently used by regulators. Ultimately, regulators consider a local authority financial audit to be of acceptable quality if the audit opinion is supported by sufficient and appropriate evidence and if the work complies with auditing standards, relevant legislation and the Code of Audit Practice. As VfM audit is not covered by auditing standards, the regulators focus principally on whether the audit complies with the Code of Audit Practice.

4.2.5 Nevertheless, the effectiveness and usefulness of local audit has to be measured alongside the assessment of quality. The Review has considered the extent to which the auditors of local authorities:

- Meet the contract specification;
- Demonstrate sufficient understanding of the local authority environment through identification and testing of key financial audit and value for money risks;

- Deliver audits in a cost-effective way;
- Make balanced and considered recommendations; and
- Issue reports and make recommendations in timely fashion.

### 4.3 Assessing Audit Quality

#### Meeting the Contract Specification

- 4.3.1 The contract between PSAA and audit firms largely follows standard terms and conditions. It requires providers of audit services to deliver audits in accordance with statutory obligations and appropriate professional standards. These are discussed below.
- 4.3.2 The contract is supplemented with a Statement of Responsibilities published, on the PSAA website, which is intended to set out the engagement between PSAA and the appointed auditors. The contract requires audit firms to familiarise themselves with this statement. In accompanying text on their website, PSAA makes clear that the responsibilities of auditors are derived from statute, principally, the 2014 Act and from the NAO Code of Audit Practice and nothing in the Statement is meant to vary those responsibilities.

#### Demonstrating an understanding of the local authority environment

- 4.3.3 Feedback received from interviews with local authorities is that KAPs tend to be knowledgeable, skilled and experienced. However, the amount of time devoted to the audit has become more limited in recent years. Anecdotal evidence on the accessibility of KAPs varies. Local authorities largely stated that the senior partners were brought in to resolve significant issues, so were not often visible during the course of the audit. This matched many audit firms' comments that senior partners were brought in for the specific and more complex issues. Most local authorities commented that this was reasonable, and as expected, but some felt that it was difficult to secure input from their KAP on specific issues. Some local authorities commented that during 2018-19 audits, the visibility of both the audit team and KAP had declined somewhat compared to prior years.
- 4.3.4 As demonstrated by the responses in **Figure 4.1**, despite valuing KAPs, many local authorities had a negative opinion of the overall knowledge and expertise of their audit teams. The two areas of particular concern were:
- the knowledge and continuity of working level audit staff; and
  - whether audit work always covered the most important areas of the accounts from a financial resilience and service user perspective.
- 4.3.5 There is a question as to whether external audit could make more use of the knowledge and expertise of internal audit in developing sufficient understanding of the local authority. It is usual for the external audit team to meet the Head of Internal Audit as part of the audit planning process, but it is unclear if liaison extends much beyond that. Internal auditors are likely to be much closer to the business than external audit and, in many authorities, a proportion of their work focuses on governance and service delivery matters. This could make internal audit a rich source of knowledge, should the external audit team wish to use it.

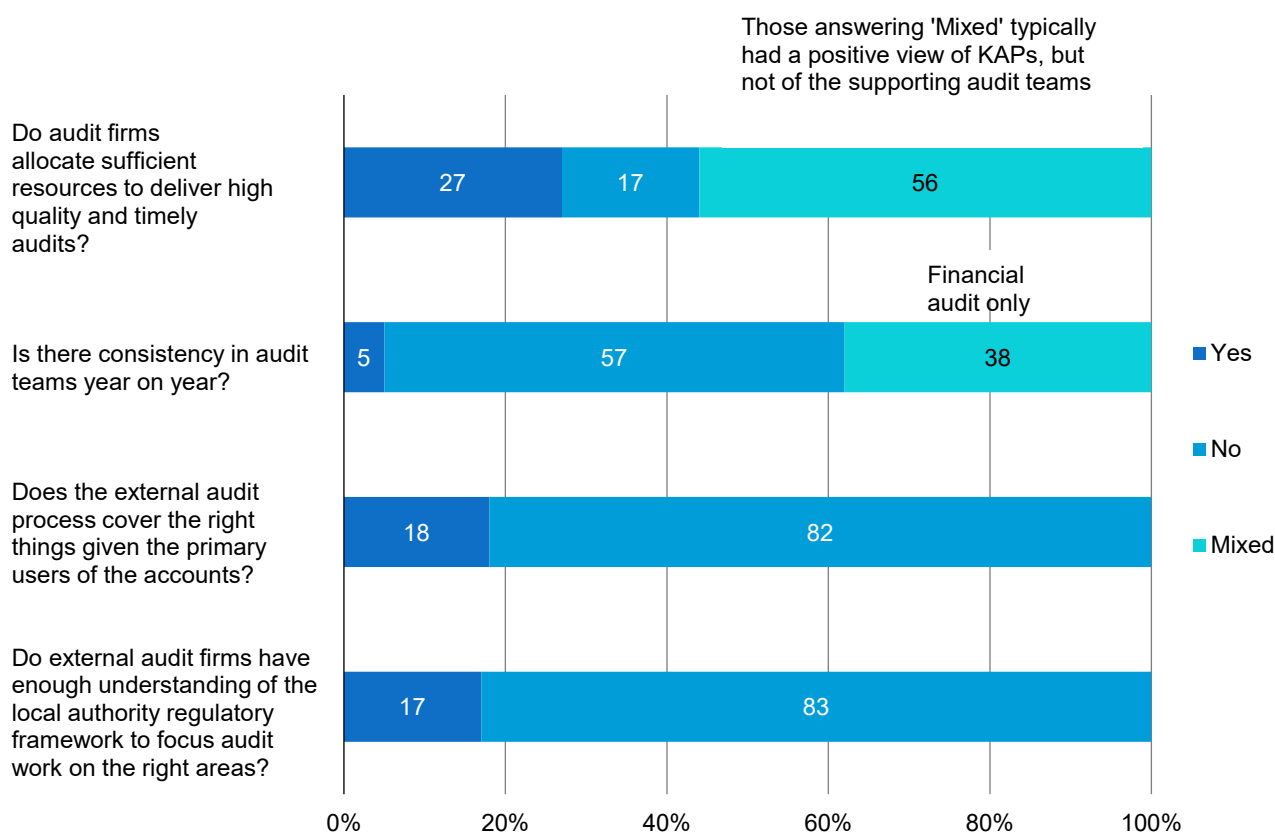
## Knowledge, experience and continuity of audit staff

4.3.6 All audit firms active in the local audit market told the Review that they had expert technical teams who provided sector specific training to staff working on local authority audits. Nonetheless, many local authorities reported significant concerns about the knowledge and expertise of staff working on their audit. Issues identified included:

- audit examiners not having a full understanding of how local authorities were funded and how this impacted the accounts;
- a lack of continuity from year to year, or in some cases from week to week, leading to a lack of client knowledge; and
- a lack of understanding of local authority specific financial statements such as the Collection Fund and Housing Revenue Account.

4.3.7 Local authorities also reported the use of audit examiners from other countries to help manage the local audit peak. This is not unique to audits in the local authority sector and can be advantageous as different countries will encounter different audit peaks. However, many local authorities whose audits are staffed in this way reported that such examiners processed very little training in respect of English local government.

**Figure 4.1**  
Opinions on External Audit Quality



Local Authority Call for Views responses

- 4.3.8 Firms agreed that consistency in audit teams could sometimes be compromised by either the difficulty in attracting and retaining quality junior staff or the challenge to retain more experienced staff.
- 4.3.9 Underpinning the concerns about the quality and continuity of working level audit staff is a concern that there are not enough audit examiners with local authority expertise, and that this is an area in which accountancy trainees no longer wish to specialise.
- 4.3.10 This is a concern that has developed since 2015. Prior to 2012, the Audit Commission's in-house audit practice, District Audit (DA), was responsible for 70% of the local authority audit market. In its 2012 procurement the Audit Commission outsourced its audit practice. DA staff were TUPE'd<sup>8</sup> to the private sector firms who largely took over responsibility for auditing local authorities. This meant that there was then a plentiful supply of audit examiners with local authority experience. Since 2015, many of those audit examiners have left the external audit profession and have not always been replaced.
- 4.3.11 A reason for the decline in the number of audit examiners with sector specific expertise is the route taken by auditors to qualify as accountants. Currently, there are five chartered British and Irish professional accountancy bodies that include external audit as a significant element in their qualification. Only one of these bodies (CIPFA) has a mainly public sector focus. All District Audit service trainees would have followed the CIPFA qualification route. Only one of the firms currently active in the market (Grant Thornton) uses the CIPFA qualification route for its public sector audit staff. In addition, audit firms highlight that between 2010 and 2015 the Audit Commission cut back on its recruitment of audit examiners. This means that an increasing number of local authority auditors will not have had the public sector as their main focus whilst studying for their accountancy qualification.
- 4.3.12 In March 2020, PSAA published research it had commissioned on the future of the local audit market.<sup>9</sup> In this research firms raised two main issues that made it difficult for them to attract and retain high quality staff that wanted to specialise in local authority audit:
- **Timetable** - In 2017-18 the target date for completing local authority audits was brought forward from 30 September to 31 July. This reform was requested by many local authorities, who wanted to complete their accounts and audit process as quickly as possible, so as to free up their finance teams to work on other areas. The compression of the audit timetable was mentioned as an issue by every audit firm. Firms raised concerns about the resulting peaks in workload, pressures on staff during the summer months, and knock-on effects when target dates are not met. These pressures contribute to making work unpopular with local audit staff.
  - **Fees** – Firms stated generally that the lack of profitability changes the way that local audit work is perceived within the firm. As the contribution that local audit makes to the overall profit of the Partnership is low, specialising in this area is seen by many auditors as having a detrimental impact on career prospects.

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<sup>8</sup> TUPE stands for the Transfer of Undertakings (Protection of Employment) Regulations and its purpose is to protect employees if the business in which they are employed changes hands.

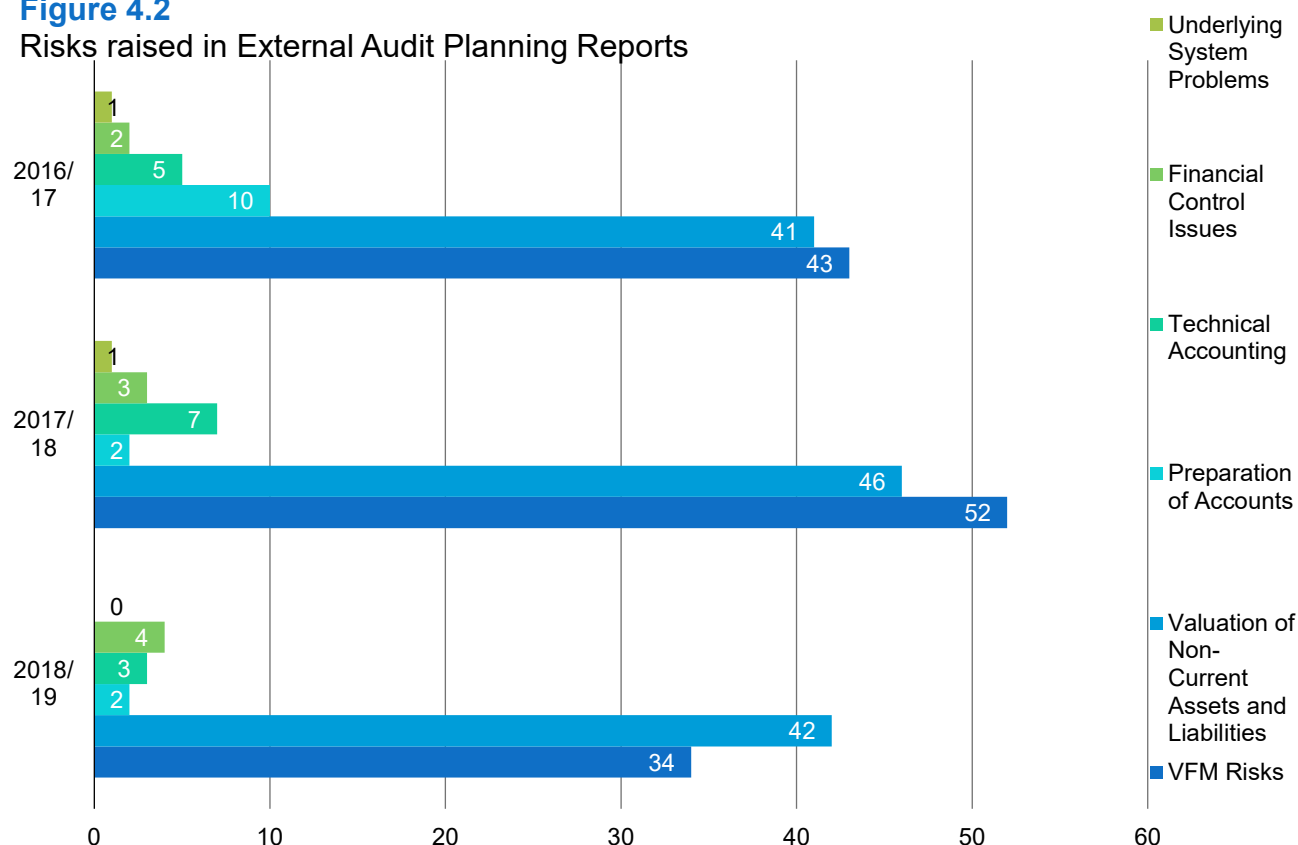
<sup>9</sup> <https://www.psa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

## Focus of audit work

4.3.13 Many local authorities have raised concerns that auditors spend a significant amount of time focusing on fixed asset and pension valuations, whereas a fuller understanding of the business would lead to more of a focus on major areas of expenditure, together with the level of usable non-ringfenced revenue reserves. The reason for this argument is that most changes to fixed asset and pension values are ‘reversed out’ of the accounts by a range of statutory adjustments. As a result, in those circumstances, these valuations have no immediate impact on the cost of delivering services or on the financial resilience of a local authority.

**Figure 4.2**

Risks raised in External Audit Planning Reports



### Notes

1 Representative sample of 30 local authorities. Presumed risks excluded

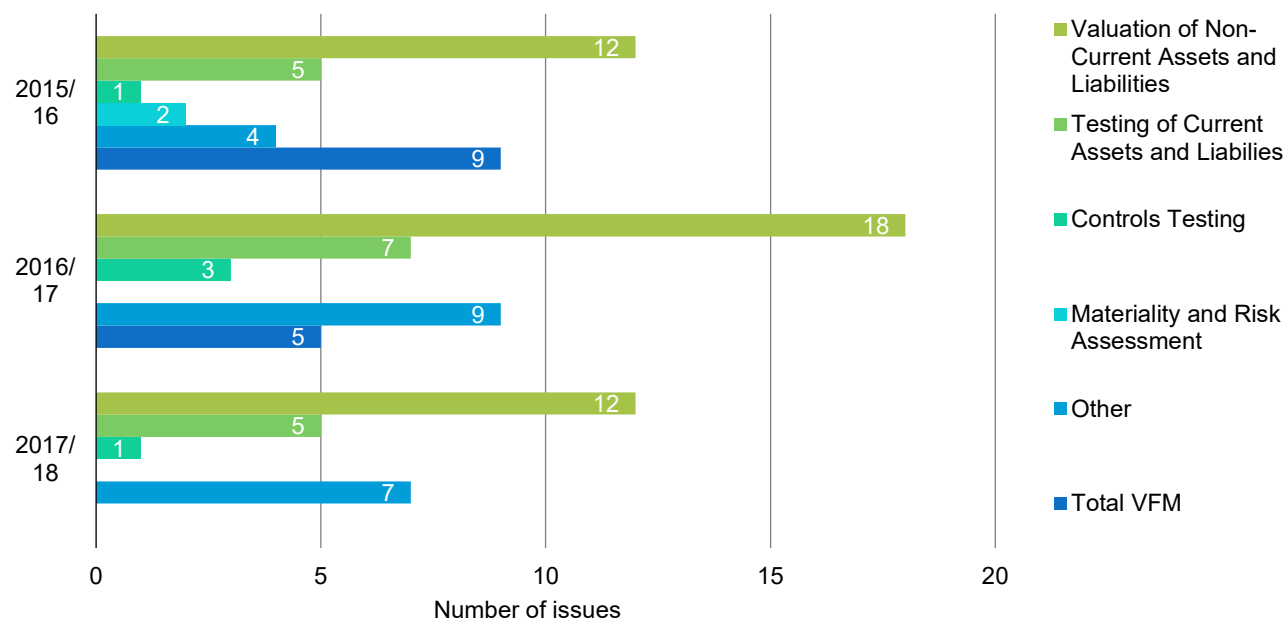
4.3.14 As demonstrated in **Figure 4.2**, valuation of non-current assets and liabilities have been the most common significant financial audit risk category identified in Audit Planning Reports. In addition, irrespective of the risk profile, the amount of detailed testing undertaken on these balances has increased significantly over the past three audit cycles. To manage the risk of regulatory criticism, that more scepticism is needed when assessing non-current assets and liabilities, audit firms are increasingly using their own expert valuers to assess valuations provided by a local authority employed expert. Some audit firms agreed that they would prefer to do less work on asset and pension valuations but explained that these areas of the accounts were given more attention as it was important in the context of securing a positive assessment from the FRC quality assurance processes.

4.3.15 The results of the quality assurance reviews of local authority audit files undertaken between 2015-16 and 2017-18 in **Figure 4.3** demonstrate clear and continuing concerns about the quality of audit work to support fixed asset and pension valuations. The FRC commented that, overall, the local authority audit files it reviewed tended to be of slightly lower quality than the files of corporate sector audits.

**Figure 4.3**

Issues identified by FRC file reviews conducted on behalf of PSAA

Eight reviews were conducted in 15/16 and 16/17 and 6 were conducted in 17/18



4.3.16 The FRC quality reviews identified far fewer significant issues in VfM audit work. This may be because the current Audit Code gives auditors quite a lot of discretion as to how much work they need to undertake before forming their VfM opinion.

### Deliver audits in a cost-effective way

4.3.17 Since 2015, audit fees paid by local authorities have dropped by 42.25% (in cash terms). The decrease in fees has been welcomed by the LGA and by many local authorities. This reduction in fees has been attributed to the following reasons:

- PSAA costs being lower than those of the Audit Commission;
- Improved audit efficiency;
- Reduction in firms' profit expectations; and
- Reduced financial risks for the firms from staff previously TUPEd.

4.3.18 It is difficult to identify the extent to which local authority audits are more efficient than previously. All of the audit firms active in the market have looked to generate efficiencies through making significant investments in digital technology and innovation to equip audit teams with the appropriate tools to deliver a digital audit. However, audit firms note that many local authorities have IT systems that do not lend themselves to the delivery of a digital audit, so some of the anticipated efficiencies have not been realised.

4.3.19 The decrease in fees must be set against the potential impact on quality if audit is considered to be cost effective. Audit firms have raised concerns about whether audit fees are at a sustainable level. One of the registered firms not active in the local authority market said that they had decided not to bid because it was impossible to deliver cost effective and high-quality audits at current fee levels.

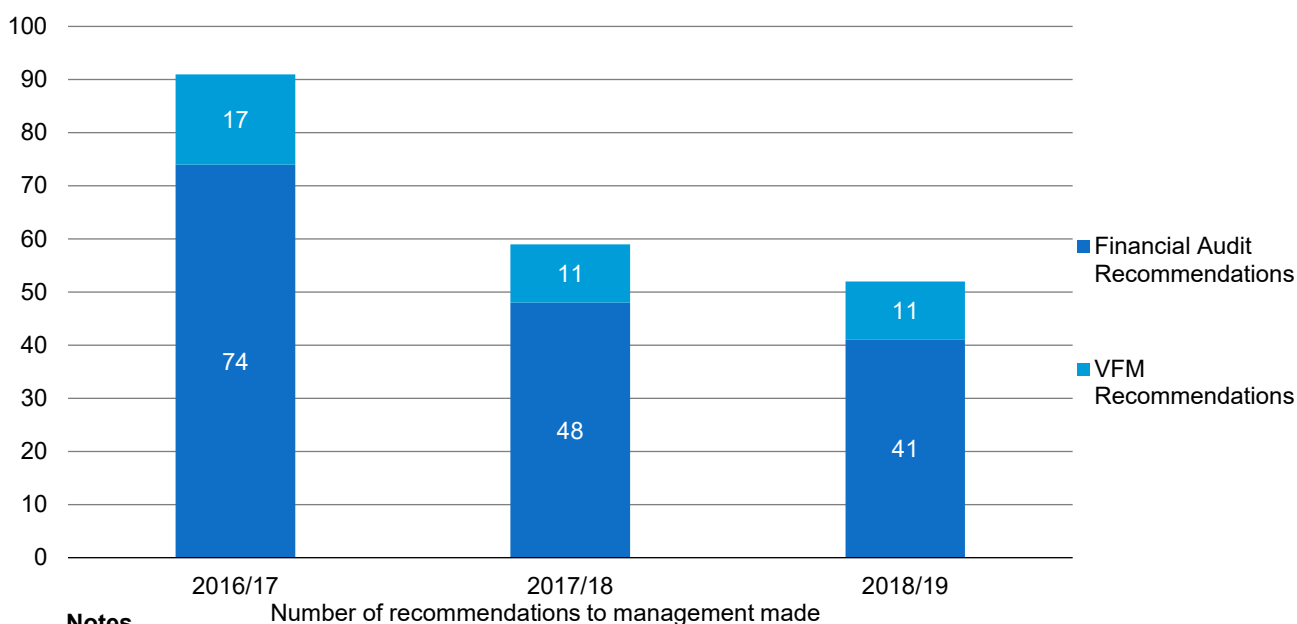
4.3.20 Firms have the power to request fee variations where the cost of the work is greater than allowed for by the contract fee. As discussed in **Chapter 3** the fee variation process is an ongoing and increasing source of tension, with auditors concerned that they are not always able to recover legitimate costs. Local authorities are concerned about late notifications and that requested variations are not always supported by evidence of additional work done.

### Make sensible recommendations

4.3.21 Auditors can issue recommendations to management through their end of audit communications. These can either be statutory recommendations, which must be copied to the Secretary of State, introduced through the “management letter” recommendations. Eleven statutory recommendations have been issued since 2015.

**Figure 4.4**

Number of External Audit recommendations given to local authorities



1 Representative sample of 30 local authorities.

2 Not all audits in 17/18 18/19 have been signed off in this sample.

4.3.22 As demonstrated in **Figure 4.4**, a review of Audit Completion Reports indicates that the number of management letter recommendations issued seems to be declining year on year. The practice on following up management letter recommendations was mixed and Audit Committees were more likely to check progress on implementation of internal audit recommendations rather than external audit recommendations. A majority of the recommendations made relate to technical accounting issues rather



than financial control or value for money matters. This is not surprising given the focus of external audit, but it contributes to a perception that the process is not adding as much value as formerly.

### Provide useful and timely reports

4.3.23 As demonstrated by **Figure 4.5**, the number of delayed audit opinions has significantly increased over the past three years. For 2018-19, all the audit firms in the market had some outstanding audit opinions as at 30 September 2019, though the extent varied from firm to firm; one firm completed just less than 40% of audits by the deadline while another completed 80%. All firms have made progress in completing these delayed audits although at December 2019, there were still 85 outstanding audit opinions (17.5%); and by July 2020, 42 (8.6%) of 2018-19 audits remained incomplete. These delays are likely to have had a knock-on impact for the 2019-20 timetable.

**Figure 4.5**

Audit opinions signed off by the statutory deadline for publishing audited accounts

	2018/19	2017/18	2016/17
<b>Opinions issued by the statutory publication deadline</b>	57% *31 July 2019	87% *31 July 2018	95% *30 September 2017
<b>Opinions issued by 30 September</b>	70%	95%	N/A

\*statutory deadline for publishing local authority accounts 30 September in 2016-17; and 31 July thereafter.

4.3.24 PSAA asks audit firms to explain the reason for delayed audits. The four most common reasons provided were:

- poor quality accounts/working papers submitted by the local authority;
- potential qualification issues;
- outstanding objections on the accounts; and
- for the first time in 2019-20, having insufficient qualified individuals to deliver all audits at the appropriate time was included as a reason for some of the delays.

4.3.25 Audits are by their nature backwards looking and the increasing delays in signing off local authority audits have an impact on the timeliness of reports. The more material issues that an auditor finds, the greater the risk that the sign off of the audit opinion is delayed. When a judgement needs to be made about modifying an audit opinion, audit firms are required to undertake enhanced quality assurance procedures, and these take time. In addition, some audits will be delayed if a local authority presents poor quality accounts or if there is an outstanding objection. As a result, a number of local authority audits will inevitably be signed off after the reporting deadline.

4.3.26 In recognition of the increased challenges posed by Covid-19, MHCLG has extended the deadline for signing off 2019-20 audits to 30 November 2020. If a majority of audits are not signed off by this date, there could be a significant impact on MHCLG's ability to run the non-domestic rates system effectively. It is too early to say how many

local authority audits will make this target date or whether the extension of the deadline will enable audit firms to complete more of the outstanding 2018-19 audits.

4.3.27 Examples of useful and timely auditor reporting through client communications are relatively few. Some local authority Chief Financial Officers commented that they no longer got the useful and informative advice, challenge and support that they had received from KAPs prior to 2015. Audit Planning Reports tend to be presented in February, March or April, which is rather late in the financial year. This means that local authorities get late notification of audit risks. In addition, it is not possible to undertake interim audit work on management controls if the plan is presented in the last month of the financial year and this increases the pressure on the year end peak.

4.3.28 If an Auditor is assessing a significant issue, which they believe needs to be brought to the attention of elected representatives and the public as soon as possible, they have the power to issue a Public Interest Report (PIR). PIRs can be issued at any time. However, only four PIRs have been issued since 2015. Three of these related to matters identified prior to 31 March 2015 and the fourth, issued on 11 August 2020, related to a wholly-owned local authority company.<sup>10</sup> This means that the opportunity to enhance transparency and accountability by sighting key stakeholders on significant issues in a timely fashion is not often used.

4.3.29 Audit firms have not commented on why there is not a greater use of the statutory powers available to them. The position in which auditors find themselves can relate to a situation where intervention in a local authority may be warranted by the use of statutory powers. It is possible that the legal and reputational risks of using these powers may play a part in their thinking as may the difficulty of recovering the costs of the extra work required to support use of these powers.

#### **4.4 Interactions between external audit and relevant stakeholders**

4.4.1 The areas of concern that particularly stood out from interviews with local authorities and through the Call for Views were:

- Senior audit staff not being contactable by clients when issues arose;
- Late notification of audit risks;
- Changes to the audit timetable – without justification given;
- Late notification of fee variations with no justification or breakdown of cost given; and
- The auditor's valuation expert overriding asset valuations provided by client experts with equivalent qualifications sometimes with no justification given.

4.4.2 It is important to note that these concerns are not unreciprocated. Auditors raised concerns about LAs not preparing properly prepared draft accounts supported by high quality working papers or not being available to answer audit questions.

#### **4.5 VfM expectation gap**

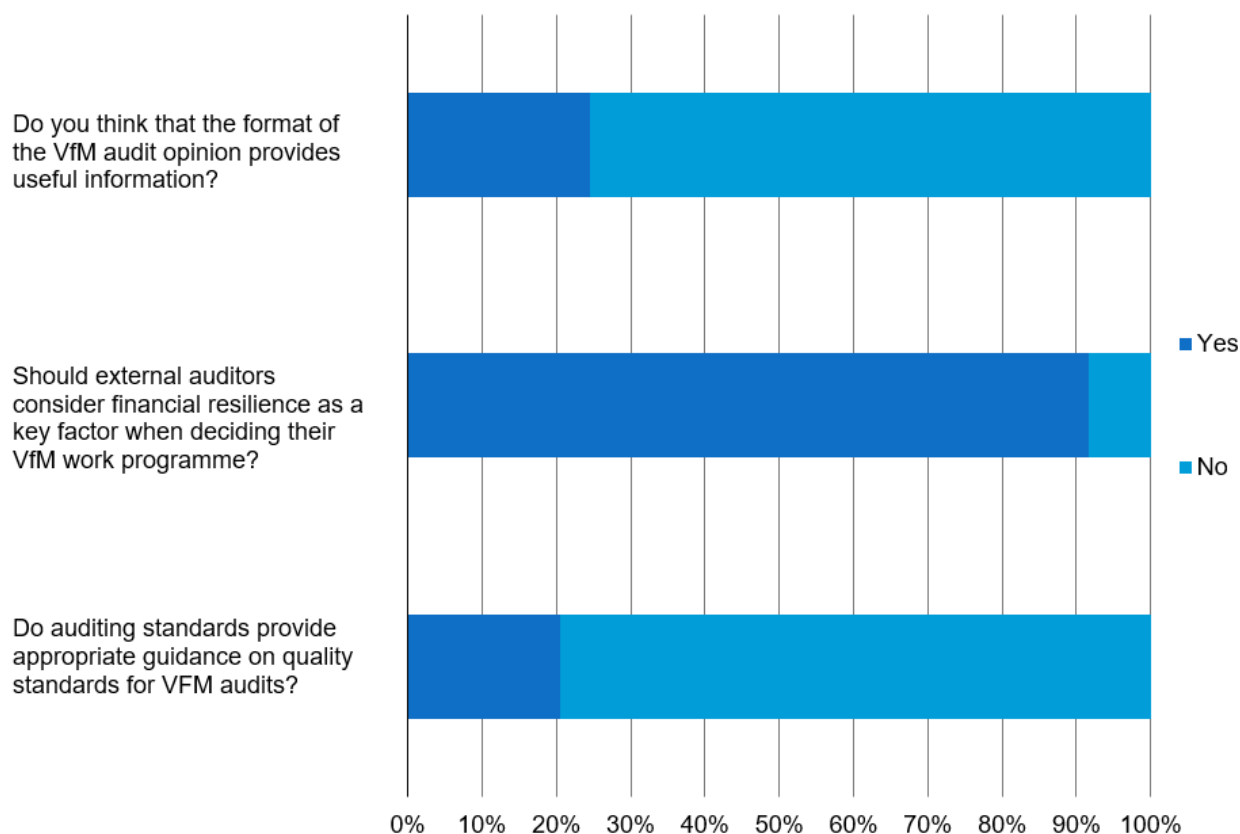
4.5.1 Whilst audit firms feel that the NAO's new code of practice resolves many of the VfM conclusion shortcomings, some local authorities believe that more significant changes need to be made. There is a large expectation gap between what local authorities

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<sup>10</sup> <https://www.nottinghamcity.gov.uk/publicinterestreport>

expect a VfM opinion should provide and what it actually provides. The VfM conclusion is viewed by many local authorities to be an exercise with limited use to them as it is too retrospective and often states what the local authority often already knows. **Chapter 6** includes a more detailed consideration of the extent to which the VfM opinion covers financial resilience risks.

**Figure 4.6**  
Opinions on the VfM opinion and auditing standards



**Notes**

1 Data from Local Authority Call for Views responses.

4.5.2 As demonstrated in **Figure 4.6**, 74% of the local authority respondents to the Call for Views think the format of the VfM opinion does not provide useful information. Some of these respondents recognised that the opinion is limited to giving assurance only that processes are in place to secure value for money and therefore that the opinion needs to be expanded to provide useful information. 79% of these respondents do not think the standards provide appropriate guidance on quality standards for VfM audits.

4.5.3 91% of respondents think external audit should be required to assess financial resilience. Although 3% of these respondents felt that financial resilience is already covered to an appropriate amount, most of the other respondents thought that financial resilience should be considered in the medium and long term as part of the value for money audit opinion. This included most audit firm respondents to this question, all of whom stated that the updated NAO Code of Audit Practice, effective from 2020-21, would provide a suitable level of coverage. No local authorities specifically mentioned the NAO Code of Audit Practice in their responses, although

this may be due to the fact that the updated Audit Code had not been finalised at the time the Call for Views closed. However, 16% of local authority respondents thought the non-statutory CIPFA Financial Management Code (published Oct 2019) could provide a suitable framework for assessing financial resilience and financial management.

## **4.6 Summary of audit performance**

- 4.6.1 There is an expectation gap that extends across both the financial and the VfM audit. The coverage of the financial and VfM audits is far narrower than many stakeholders expect.
- 4.6.2 There are questions about the level of audit performance. In addition, although external auditors may be meeting the contract specification by delivering audits that, for the most part, meet the quality standards set out in ISAs and the Audit Code, an increasing number of audits are not being completed by the statutory deadline for publishing audited accounts.
- 4.6.3 Audit fees paid by local authorities have reduced, whereas, over the same period, they have increased in other sectors. There is some evidence that the reduction in fees has led to a decline in the number of examiners with appropriate skills, knowledge and expertise. This has had an impact on the timeliness of audits, the usefulness of auditor reporting to management and the quality of interactions between external auditors and local authorities.
- 4.6.4 Underpinning concerns about audit performance is a question of focus. There is a perception amongst many local authorities that an increasing amount of time is spent auditing fixed asset and pension valuations. It is clear that external audit increasingly has a greater focus on these areas, and that this has been driven by the requirement to meet quality standards and comply with relevant statutory guidance. What is less clear is the extent to which this has led to a reduction of audit work in other areas, but given the reduction in audit fees, it is likely to have had some impact.
- 4.6.5 It is more difficult to summarise audit performance in relation to the VfM engagement. This is partly because the 2015 Audit Code requires minimal documentation unless significant VfM risks are identified. This makes it impossible to assess whether the external audit assessment of VfM risks is complete in all cases. However, given the squeeze on audit fees and the reduction in the number of audit examiners with appropriate skills, knowledge and expertise, this remains a matter of significant concern.

## 5. Governance arrangements in place for responding to audit recommendations

### 5.1 Outline of the different frameworks in operation

5.1.1 The effectiveness of audit must, in part, be determined by the arrangements in place within each body subject to audit for considering and acting upon external audit reports. All local authorities are required to set up Audit Committees or the equivalent with responsibility for considering the annual accounts and receiving internal and external audit plans and reports. The specific arrangements vary between different types of local authorities. However, the purpose of an Audit Committee is to provide independent challenge on behalf of the authority in respect of accountability and risk management arrangements.

#### Arrangements within PCCs

5.1.2 A PCC is an elected official charged with securing efficient and effective policing of a police area. The policing function is delivered by the constabulary, led in large part by Chief Constables. PCCs are required to set up Joint Audit Committees covering the activities of both the PCC and the constabulary. These arrangements appear to work effectively and the findings and conclusions in the rest of this Chapter do not apply to PCCs.

5.1.3 Some PCCs also have responsibility for overseeing the delivery of Fire and Rescue Authorities, which deliver the fire service, in their local area. In other areas, primarily Shire Counties, the fire service is the responsibility of the County Council.

#### Arrangements within other types of local authorities

5.1.4 Mayoral Combined Authorities<sup>11</sup> are required by statute to have an Audit Committee, although there is no statutory guidance on the membership or remit. Whilst not a requirement for other types of local authorities, in practice most have set up an Audit Committee or equivalent.

5.1.5 Constitutionally, Audit Committees in local authorities are sub-committees of Full Council. This means that a majority of its members will be elected as a councillor or its equivalent. As highlighted in **Figure 5.1**, membership tends to be based on the political balance of the council and the chair is often, but not always, a member of the ruling group.

5.1.6 The number of members of Audit Committees varies from four to seventeen, with seven being the most common. This compares to common practice in central government and the private sector, which is to have no more than three or four Audit Committee members. The size of the committee might vary according to the number of councillors an authority has; however, Birmingham City Council, which by expenditure is the largest local authority and has more councillors (99) than any other local authority in England, has eight members on its Audit Committee, whereas the

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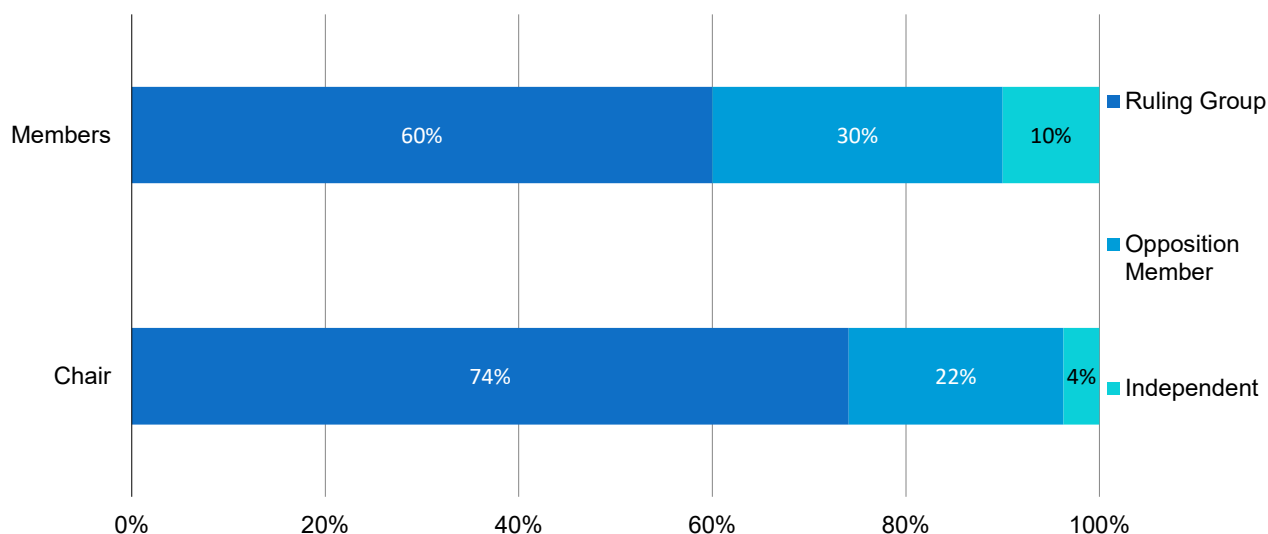
<sup>11</sup> Combined Authorities are statutory bodies made up of neighbouring local authorities that broadly cover a city-region that have agreed to work together. A Mayoral Combined Authority is where a mayor is the directly elected leader of the combined authority.

Audit Committees of some Shire District Councils have memberships that far exceed this.

**Figure 5.1**

Composition of audit committees in councils

**56% of committees had no independent members**



**Notes**

1 Representative sample of 27 Local Authority Committees (not including FRAs or PCCs).

5.1.7 Local authority accounts are very complex and there appears to be a significant difference between the assurance that external auditors provide and public expectations. Elected members may or may not have relevant skills, expertise or background to fulfil the role of a member of an Audit Committee. Many local authorities provide training for Audit Committee members, but it has not been possible to assess how comprehensive or effective this training is. As a result, it is not possible to conclude whether members are always equipped to provide effective challenge to Auditors or Statutory Officers.

5.1.8 As part of its Audit Quality Reviews of 2018-19 audits, the FRC review teams have met with Audit Committee chairs of 12 selected local authorities. Although the reviews of the related audits are not yet publicly available, a mixed picture was reported, with some chairs being very engaged and informed, but others being less so. As the FRC is responsible only for the quality assurance reviews of the 230 larger local authorities and NHS bodies, the experience provided by their quality reviews may not be fully representative of the sector.

5.1.9 Whilst the vast majority of local authorities interviewed were supportive of the principle of appointing independent members, only about 40% of Audit Committees currently have done so. The reported experience of having independent members on Audit Committees was mixed. In some cases, they provided useful challenge, but some authorities reported that the effectiveness of independent members was hampered by their lack of sector specific knowledge.

5.1.10 A particular challenge for authorities is attracting independent members with the relevant technical experience. This challenge can sometimes be greater depending

on an authority’s geographical location. Some PCCs have found that the introduction of Joint Audit Committees, which are seen as more prestigious, has made Audit Committee membership more attractive to appropriately qualified independent members, but there is still not an abundance of suitable applicants for vacant positions.

5.1.11 The independent member is often a voluntary position across the local authority sector. This compares to NHS trusts who are more likely to pay independent Audit Committee members, which may make it slightly easier for them to attract applicants with relevant expertise.

5.1.12 Local authorities have a number of statutory officers, three of whom have responsibilities that may be covered by audit work. They are:

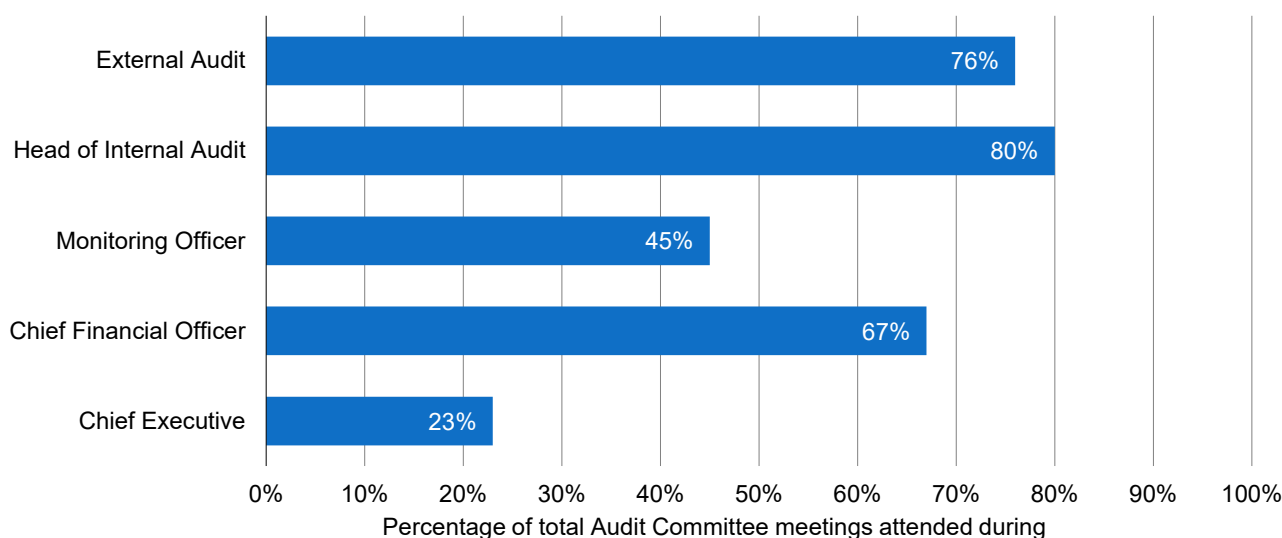
- The **Head of Paid Service** – typically the Chief Executive or Managing Director
- The **Section 151 Officer** – typically the Chief Financial Officer or Finance Director
- The **Monitoring Officer** – typically the Head of Legal Services

5.1.13 As demonstrated by **Figure 5.2** the frequency of attendance of statutory officers at Audit Committee meetings is mixed. Whilst the Chief Financial Officer and Head of Internal Audit attend a majority of meetings, Monitoring Officers attend just under half of the meetings and the Chief Executive attends such meetings less often. Other statutory officers and service heads usually attend Audit Committee meetings if a matter relevant to their service area is discussed.

5.1.14 The Chief Financial Officer is more likely to attend meetings where external audit completion reports are presented. Attendance of the Chief Executive increased by 2% and the Monitoring Officer attendance decreased. This may be reflective of the fact that in local government, the Chief Financial Officer signs the accounts on behalf of the local authority, or it may be indicative of the profile of external audit.

**Figure 5.2**

Audit Committee attendance: Local Authority Officers and External Audit Representative



**Notes**

1 Representative sample of 30 local authorities

5.1.15 In local government, representatives of external audit are not expected to attend every Audit Committee meeting. Based on a representative sample, the KAP attended 56% of meetings, rising to 87% of meetings where either external audit papers were tabled or where the final accounts were presented. For the 13% of these meetings where the KAP was not in attendance, external audit was represented by a less senior member of the audit team.

## 5.2 Scope of audit committees within local government

5.2.1 The scope of Audit Committees also varied between authorities. CIPFA's *Position Statement and supporting guidance on Audit Committees (2013)* says that the Audit Committee should cover:

- The annual governance statement
- The work of internal audit
- Risk management
- Assurance framework and assurance planning
- Value for money and best value
- Countering fraud and corruption
- External audit
- Partnership governance

and may also cover:

- Specific matters at the request of statutory officers or other committees
- Ethical values
- Treasury management

5.2.2 Most of the committees reviewed covered most of the items in the CIPFA position statement. There were two areas which had either minimal or no specific coverage: *partnership governance*, which was considered by only two of the 30 authorities reviewed; and *value for money and best value* which was not considered by any of those 30 authorities. The *CIPFA Survey on Local Authority Audit Committees (November 2016)* also found that Audit Committees were much less likely to consider these two areas. However, the scope of Audit Committees in local authorities is not limited to the areas suggested in the CIPFA guidance.

5.2.3 The scope of committees whose responsibilities included audit varied. The second most common name, after the 'Audit Committee' itself was a name which indicated the combining of audit with the functions of an overview and scrutiny committee. Overview and scrutiny committees are required by statute<sup>12</sup> and are responsible for overseeing and scrutinising the whole range of the Council's functions and responsibilities, as well as other public service providers' work and its impact on the local community. Whilst the functions of these two committees have some synergy, there is a question as to whether it enables the audit responsibilities to be fully addressed.

5.2.4 In one example a local authority had set up an Audit, Resources and Performance Committee. This is a significant concern because the prime purpose of an Audit

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<sup>12</sup> [Schedule 2, Localism Act 2011](#)



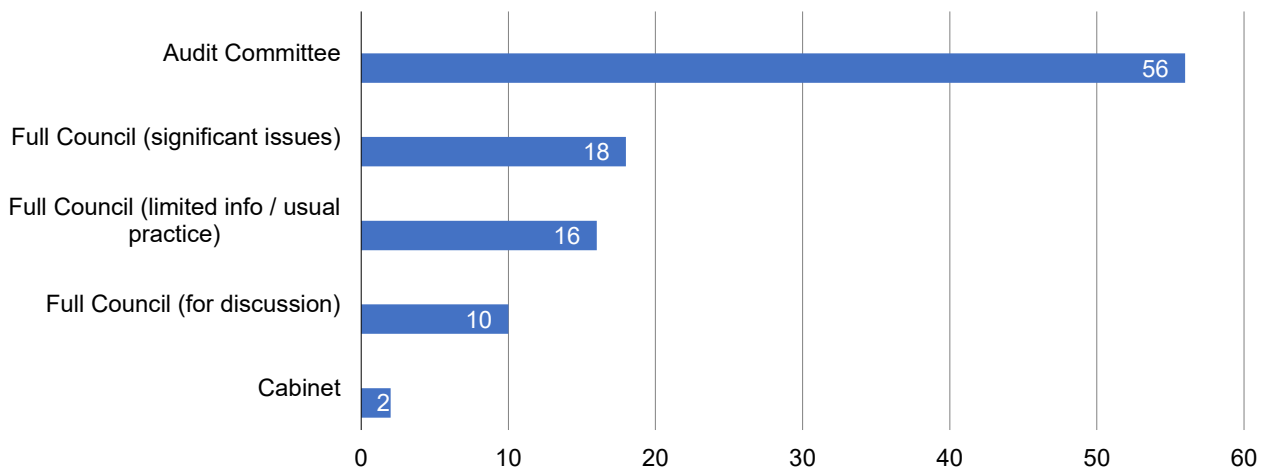
Committee is to review the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report. The Resources Committee will use financial projections and risk management information to take decisions about use of resources. If the same committee is responsible for using information to take management decisions and providing independent assurance over the reliability of that information, there is no effective segregation of duties. There is also a potential for conflicts of interest.

### **5.3 Relationship between Audit Committees and Full Council or equivalent**

- 5.3.1 Full Council has a role, ultimately, in responding to audit matters that is beyond receiving Public Interest Reports or qualified audit opinions. Full Council is generally more visible to the public than committees/subcommittees. The Council's public accountability to local taxpayers and service users is best served by having significant matters relating to audit discussed in a transparent and accessible way.
- 5.3.2 Matters raised at Audit Committee can be referred to Full Council. In addition, the auditor has the power to present some statements, for example an advisory notice that planned expenditure may be unlawful, directly to Full Council.
- 5.3.3 In practice the auditor tends to present matters to the Audit Committee, which decides if a matter is serious enough to be referred to Full Council. Most local authorities feel that this arrangement is appropriate. It is rare for an Audit Committee to put a substantive item onto the Full Council's agenda. The exception is the Treasury Management Strategy, where some local authorities have a practice of ensuring that it is considered by the Audit Committee before being forwarded to Full Council for approval.
- 5.3.4 Many local authorities stated that the existing relationship between Audit Committee and Full Council involved either forwarding for information a yearly summary report or meeting minutes and that this was considered to be sufficient. Many also commented that if there were significant recommendations made by the external auditor, such as a Public Interest Report, that then should be a matter for Full Council.
- 5.3.5 In some cases, some quite serious matters seem not to have been passed onto Full Council. For example, the 'best value' report into Northamptonshire County Council found that when the external auditor reported that appropriate arrangements to deliver best value outcomes were not in place, for the second year in succession, there is no evidence that the Audit Committee forwarded the qualified audit opinion to Full Council.

**Figure 5.3**

To whom should external auditors present audit reports and findings?



**Notes**

1 92% of local authorities respondents answered this Call for Views question

5.3.6 If this practice is widespread, there is a significant risk that in many councils, a majority of elected members may not be sighted on serious governance or financial resilience issues. This risk does not fully pertain to PCCs, where the PCC and Chief Constable are expected to attend the Joint Audit Committee and generally do so. There is a question as to whether Audit Committees, including Joint Audit Committees, are sufficiently transparent to local taxpayers and service users. Whilst by default, proceedings of these committees are public, it is not clear that taxpayers and service users are aware that they have a right to attend or to read the papers and the minutes.

5.3.7 As demonstrated in **Figure 5.3** most local authorities felt that external audit reports should be presented to the Audit Committee rather than to Full Council. Reasons given included:

- Full Council only taking items for decision;
- elected members not having the skills, knowledge or experience to understand the report unless they had received Audit Committee training.

5.3.8 Many commented that external audit reports should be reported to Full Council only in exceptional circumstances where there is significant cause for concern. One respondent commented that given the target dates and tight deadlines, there is insufficient time to report to Full Council prior to sign off of the accounts by the external auditors.

**Raising the profile of external audit work**

5.3.9 The content of the standard suite of external audit reports is mandated by auditing standards. Whilst audit firms have made significant strides in making reports more accessible to clients, much of the required disclosure is highly technical. Given this, it is perhaps understandable that many local authorities do not present such documents to Full Council.

5.3.10 Nevertheless, external auditors may have insights from their work, that could provide assurance to Elected Representatives that their local authority is being run with the best interests of service users and taxpayers in mind. The auditor also has the facility to sight elected representatives on matters that audit work has highlighted as a potential issue.

5.3.11 This suggests that the external auditor should report to Full Council on risks identified and conclusions reached, in a transparent and understandable format. To be of most use, such a report would need to be timely. Given the increase in the number of delayed audits, this report should not necessarily be linked to the certification of the financial accounts as it should be made at the most useful point in the year. Comparatively few local authorities commented on what was the right point in the year to receive audit reports. Two thirds of those who did, expressed a preference for end-September, coming as it does near the start of the following year's annual budget setting planning cycle.

### **Collating the results of external audit work**

5.3.12 Prior to 2015, the Audit Commission published an annual report summarising the results of the audits of local authorities and the NHS. Up to the end of 2017-18 responsibility for preparing this report passed to PSAA. The report summarised the number of audits completed by the statutory deadline and the number of qualified financial audit and value for money opinions, with the latter categorised by theme. It also listed all Public Interest Reports, Statutory Recommendations and Advisory Notices issued in the preceding year. It did not include any details on risks raised by auditors in their Audit Planning Reports or non-statutory recommendations made to local authorities. Just over two thirds of Call for Views respondents think a publication summarising the results of local authority audits adds value.

5.3.13 The responsibility for preparing this report was included in the Memorandum of Understanding between PSAA and MHCLG. When MHCLG decided not to renew the Memorandum of Understanding, PSAA's responsibility for reporting on the results of audit work lapsed. This reinforces the point that no entity currently has the responsibility to collate and report on the results of the work of the external auditors of local authorities and individual NHS bodies.

## **6 Audit work on the financial resilience of local authorities**

### **6.1 Stakeholders' expectations regarding financial resilience**

6.1.1 Reference has been made to the role of external audit in assessing financial resilience and sustainability in local authorities. In England, neither the financial nor the value for money audit includes a specific responsibility to provide an opinion on whether a local authority is financially sustainable.

6.1.2 However, it is legitimate to expect the auditor to examine the ability of the local authority to provide resources sufficient to deliver the statutory services for which it is responsible. It would not be appropriate for this Review to provide a commentary on local government funding, but there are a number of key questions that it would be reasonable to expect the auditor to assess. These could include:

- Has the auditor scrutinised the balance sheet to understand the debt profile of the authority and the level and depletion rate of usable reserves?
- What metrics does the authority use to determine the level of financial risk it faces?
- When the annual budget is approved by Full Council or equivalent, the CFO is required to present a "Section 25" report, providing a view on the reasonableness of financial estimates and the adequacy of reserves. Should the auditor be required to confirm that this report is sound?
- It is good practice for local authorities to prepare a mid-term financial strategy, normally covering a three to five-year period that is presented alongside the budget. Is it reasonable to expect the auditor to consider the assumptions underpinning this strategy or to form a view on its whether it is robust and realistic?
- Local authorities are also required to prepare statutory reports that have implications for financial sustainability and available resources in future years. These include setting a Prudential Borrowing limit, calculating an appropriate provision for repayment of debt (known as "Minimum Revenue Provision"), preparing an Investment Strategy, and potentially preparing a Flexible Use of Capital Receipts Strategy. Is it reasonable to expect the auditor to consider some of these strategies and estimates?

6.1.3 CFOs may have specific expectations of auditors. As previously indicated, many of the CFOs who contacted the Review made it clear that they valued the informal contact and challenge from the KAP. Dialogue between the KAP and the CFO does take place, if not on as wide a scale as it did pre-2015, and there is no doubt this can be beneficial. However, the independence of the auditor must be preserved in the way that advice and guidance may be tendered.

### **6.2 What does financial resilience mean in a local authority context?**

#### **The statutory framework**

6.2.1 Financial resilience in a local authority is different to a private sector context. The powers and responsibilities of local authorities along with the financial control framework within which they operate are set by statute.

6.2.2 The services that local authorities are required to provide are set out in legislation along with the accompanying powers and duties. The statutory responsibilities to

deliver these services exist even if the local authority's resources may be considered to be insufficient at any given time.

6.2.3 The key financial controls set out in statute are:

- The requirement to calculate an **annual balanced revenue budget** for the upcoming financial year, that must be approved by Full Council or the equivalent. Local authorities are not allowed to run a deficit budget. Instead they are required to calculate a level of Council Tax that equates to the difference between income and expenditure. The increase in the level of Council Tax that can be charged is restricted by a 'referendum principle'. If a local authority wishes to raise Council Tax by more than a percentage specified by Ministers, they are required to put the planned increase to a referendum of local electors. Local authorities can borrow to fund capital investment but are not normally allowed to do so to finance in-year expenditure.
- The CFO's "**Section 25**" report on the robustness of the council's budget estimates and the adequacy of its reserves, which must be presented to Full Council alongside the annual balanced budget.
- The CFO has the power to issue a "**Section 114 notice**" if the CFO believes that the local authority is unable to set or maintain a balanced budget. After a section 114 notice is issued, the local authority may not incur new expenditure commitments, and the Full Council must meet within 21 days to discuss the report. There is no legal provision regarding what action they then must take. There is no procedure in law for a UK local authority to go bankrupt, and none has ever done so.

6.2.4 If a local authority mismanages its budgets over a number of years so that it is unable to recover its financial position, then central government has the choice of intervening under its "best value" powers, providing exceptional financial support, facilitating an offer of leadership and governance support from elsewhere in the sector, or using a mixture of these options.

6.2.5 Intervention on the grounds of lack of financial resilience is very rare. The most recent statutory intervention using best value powers was in Northamptonshire in 2018. Although there have been three other statutory interventions in the intervening years (Doncaster due to pervasive corporate governance failures, Rotherham due to institutional failure in responding to child sexual abuse and Tower Hamlets due to pervasive governance and financial impropriety issues), Northamptonshire was the first statutory intervention primarily due to financial resilience issues since Hackney in 2000.

6.2.6 In both Northamptonshire and Hackney, central government supported the council during the intervention by providing exceptional financial support, primarily by allowing receipts from sale of assets to be used to support revenue expenditure. Northamptonshire was also permitted to raise council tax by 2% more than other authorities for 2019-20 without triggering a referendum.

6.2.7 Whilst this might suggest that financial resilience is not an issue for local authorities, that may not always be the case. Firstly, central government support cannot always be guaranteed and secondly, a local authority experiencing severe financial resilience issues may also be facing governance and service delivery issues, with a

consequential impact on those who depend on those services. Furthermore, the impact of financial resilience issues on service delivery is iterative. It must be emphasised here that the system must identify and highlight financial resilience issues at the earliest opportunity in order to avoid negative impact on service. When a service fails, it is likely that that cost of recovery will be greater with a possible consequential impact on financial resilience.

6.2.8 This suggests that in a local authority context, financial resilience means the ability to manage budgets over the medium term whilst continuing to deliver high quality and effective services, that can be accessed by service users. The level of service provided is very important. Local authorities in financial difficulties can seek to cut costs by reducing the level of service. This may be the case for demand led services such as social care where it is more difficult to forecast accurately local demand pressure.

### **Commercialisation and local authority resilience**

6.2.9 One of the most significant sectoral trends since 2015 is the increased commercialisation of local authorities. To simplify, there are two main categories of local authority commercialisation:

- Investment in commercial property, usually through the general fund; and
- Investment in wholly owned companies set up using the “general power of competence”. The most common type of wholly owned local authority company is the housing company. Other examples identified include energy companies, recruitment agencies, back office service delivery companies and leisure trusts. PCCs and FRAs do not have a “general power of competence”.

6.2.10 The risks commercialisation poses to local authority financial resilience were highlighted in a recent NAO study on “*Local Authority Investment in Commercial Property*”<sup>13</sup> which concluded:

*“Buying commercial property can deliver benefits for Local Authorities including both the generation of income and local regeneration. However, as with all investments, there are risks. Income from commercial property is uncertain over the long term and authorities may be taking on high levels of long-term debt with associated debt costs or may become significantly dependent on commercial property income to support services. At the national or regional level, Local Authority activity could have an inflationary effect on the market or crowd out private sector investment.”*

6.2.11 Although the NAO study focused solely on commercial property, this conclusion is as relevant to investments in wholly owned companies. If a company that is set up using the “general power of competence” gets into difficulty, the parent local authority may ultimately be responsible or may have to write off loans or equity funding, and this can impact financial resilience.

6.2.12 An additional risk with wholly owned companies is a potential lack of transparency. It can be very difficult for a reader to identify a local authority’s exposure as a result of

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<sup>13</sup> <https://www.nao.org.uk/wp-content/uploads/2020/02/Local-authority-investment-in-commercial-property.pdf>

investments in or loans to wholly owned companies by looking at the accounts. Unless an investment in, or transactions with, a wholly owned company is material by value, there is no requirement to consolidate the company’s income, expenditure, assets or liabilities in the local authority’s accounts. Instead, what is required is a disclosure of transactions between the authority and each of its wholly owned companies in what is known as the “Related Parties note”. This note is presented less prominently in the annual report and accounts document. In addition, decisions a local authority makes pertaining to its wholly owned companies, including those relating to providing additional finance and awarding contracts, are often held in private on grounds of commercial confidentiality.

## Defining local authority financial resilience

6.2.13 CIPFA has attempted to define financial resilience in a local authority context. In *Building Financial Resilience (Jun 2017)*<sup>14</sup>. This publication highlights four pillars of sound financial management and five indicators of financial stress.

**Figure 6.1**

CIPFA Pillars of Financial Resilience

Pillars of financial resilience	Indicators of financial stress
Getting routine financial management right	Running down reserves
Benchmarking against nearest neighbours – e.g. unit costs, under/overspends by service area, under-recovery of income.	Failure to deliver planned savings
	Shortening medium term financial planning horizons
Clear plans for delivering savings	Increase gaps in saving plans (i.e. where proposals are still to be identified)
Managing reserves over the medium-term financial planning horizon.	Increase unplanned overspends in service delivery departments.

6.2.14 The pillars of financial resilience identified by CIPFA related to process and governance points, so could be covered by the auditor’s VfM opinion. Likewise, the indicators of financial stress could be covered by a sector-wide VfM audit framework.

6.2.15 An alternative and more detailed model, mentioned by some local authorities, is the seventeen principles set out in CIPFA’s recently published Financial Management Code. Although only three of the seventeen principles are categorised under the heading of sustainability, in practice, all of the principles relate to matters that directly or indirectly contribute to an authority’s capacity and capability to deliver sustainable services over the medium term.

6.2.16 A challenge common to both the *Pillars of Financial Resilience* and the *Financial Management Code* is that neither has any statutory basis. Whilst CIPFA requires its members to follow the *Financial Management Code*, compliance cannot be enforced. As a result, auditors may be reluctant to treat non-compliance with either as a matter serious enough on which to report.

<sup>14</sup> <https://www.cipfa.org/policy-and-guidance/reports/building-financial-resilience-managing-financial-stress-in-local-authorities>

6.2.17 A further challenge with the *Financial Management Code* is that the key principles are fairly detailed. Whilst an auditor could assess compliance with these principles, the costs of doing so in terms of both the auditor and of local authority time could be quite high.

6.2.18 Finally, neither the *Pillars* nor the *Financial Management Code* explicitly cover the impact of commercial activity on a local authority's financial resilience. General fund investments should be considered as part of the audit of financial accounts but wholly owned companies would only be considered if material enough to be consolidated into the accounts.

### **6.3 Current audit requirements to assess the sustainability and resilience of LAs in England**

#### **The Going Concern opinion**

6.3.1 An underpinning principle of a financial audit is a 'going concern assumption'. The going concern principle means that readers of a set of accounts are entitled to assume a business will continue in the future, unless there is evidence to the contrary. When an auditor conducts the examination of the accounts, there is an obligation to review its ability to continue as a going concern for the next twelve months.

6.3.2 If the auditor concludes that there is significant doubt that the reporting entity is a going concern, the audit opinion is qualified, and a report explaining the auditor's financial resilience concerns is included with the audit opinion. In addition, if an entity is not a going concern, assets and liabilities must be valued at the amount they can be sold for rather than by assessing their ongoing value to the entity.

6.3.3 This particular way of validating a local authority's financial health has attracted much criticism from respondents. The view of practitioners is that that a local authority cannot face the prospect of bankruptcy/liquidity in the way that a company might.

6.3.4 In addition, local authorities are presumed to be a going concern for the purpose of forming an audit opinion, as the financial reporting frameworks for these bodies dictate a continued service approach, unless there is a clearly expressed Parliamentary intention to discontinue the provision of the services which the entity provides. The NAO has consulted on Supplementary Auditor Guidance, that reinforces this point.

6.3.5 87% of respondents to the Call for Views think the going concern assumption is meaningless in a local authority context. Respondents noted that local authorities would be likely to receive support from Central Government in the wake of a serious event. Many highlighted the example of Northamptonshire remaining a going concern for audit opinion purposes, even when the auditors had issued an advisory notice on what was considered to be an undeliverable budget. as an apparent example of the opinion's flaws. Those who responded that the opinion was meaningful included a majority of audit firms who acknowledged the going concern opinion's flaws and suggested changes but, on the whole, felt that it was still important that this assessment was carried out.



## The value for money opinion

- 6.3.6 The other dimension of audit which could look at financial resilience is through the work required to support what is known as the 'value for money opinion'. The work required to support this opinion is governed by the NAO's Code of Audit Practice ("the Audit Code"). What the auditor is required to do is to form an opinion on the adequacy of the systems in place to support the economy, effectiveness and efficiency of service delivery. Under current practice in England, the auditor may test the adequacy of systems and procedures used to construct the mid-term financial plan but is only required to do so if a significant risk is identified during the audit. The auditor is not required to examine the mid-term financial plan from a sustainability perspective or form a conclusion on the financial resilience of the authority.
- 6.3.7 The update to the Audit Code, effective from 2020-21, will require auditors to provide a narrative statement on the arrangements in place. The aim of this statement is to provide more useful information to stakeholders, to report in a timelier manner and, through the move away from a binary opinion, encourage auditors to be bolder in highlighting concerns. The updated Audit Code has been broadly welcomed by stakeholders and has the potential to enhance value for money reporting in England.
- 6.3.8 What the updated Audit Code does not do is specify that auditors consider specific matters or judge local authority systems and performance against specific standards or good practice examples, such as CIPFA's *Pillars of Financial Sustainability* or their *Financial Management Code*. Nor does the updated Audit Code provide any guidance on how to assess whether a value for money risk is material.

## Timeliness of the value for money opinion

- 6.3.9 Less than half of respondents to the Call for Views expressed an opinion on the timing of the VfM opinion. Two thirds of those who expressed an opinion agreed that the statutory reporting deadline of end-September was the right point in the annual cycle to present the VfM opinion, coming as it does near the start of the following year's annual budget setting planning cycle. Many commented that the external audit firms still had the capability to raise any significant VfM concerns outside this process, a process where they were happy with the content.
- 6.3.10 Those that disagreed included all but one of the audit firms who responded to this question. In addition, many of the local authorities who responded to the Call for Views didn't have strong opinions either way. Some thought that the opinion might be better presented in May, right at the start of the following financial year, but others expressed concern as to whether audit firms would have the capacity to handle a split reporting timetable.
- 6.3.11 A subsidiary, but still important, factor when considering the timing of the opinion is auditor resourcing. If the full benefits from the revised VfM opinion in the new Audit Code are to be realised, auditors will need to do more work.
- 6.3.12 Therefore, thinking about how to time the publication of the opinion so that it is of the most use, has the most impact, and can be supported by timely audit work must be a matter for serious consideration.

## 6.4 Practice in other jurisdictions

- 6.4.1 Audit requirements in other jurisdictions, for example Scotland, Wales and New Zealand provide alternative models, all of which provide practices that could help bridge the expectation gap between what auditors are required to do and what stakeholders expect them to do to assess financial resilience. The Review has explored New Zealand as it has a different model that is worthy of consideration.
- 6.4.2 Scotland and Wales have different models of value for money reporting, with Scotland's model requiring the auditor to assess future plans and Wales' model including the option for the auditor to undertake more focussed work on financial resilience as a separate engagement.
- 6.4.3 In New Zealand, there is no VfM opinion, but instead the financial audit opinion has been extended to cover a large number of pass/fail service delivery and financial resilience metrics. The financial resilience metrics are common to all authorities, allowing comparisons to be made.
- 6.4.4 Care needs to be taken when assessing the appropriateness of these models. There are currently 32 unitary authorities in Scotland, 22 unitary authorities in Wales and 78 local, regional and unitary councils in New Zealand compared to 343 local authorities in England. It may not be possible to scale-up practices that are appropriate in these jurisdictions to England in a coherent way or to do so at a reasonable cost.

### Practice in Scotland

- 6.4.5 When scoping, planning, performing, and reporting on their 'best value' work, auditors in Scotland are required to consider four audit dimensions. The first of these, financial sustainability, interprets the short term going concern opinion and requires auditors to look *"forward to the medium (two to five years) and longer term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered."*
- 6.4.6 The results of VfM audits of Scottish local authorities tend to produce quite rich reports, which the Accounts Commission, the public spending watchdog for local government in Scotland, uses to identify and highlight key trends and risks across the sector. For example, the *Local Government in Scotland, Financial Overview Report 2018-19 (Dec 2019)*<sup>15</sup> found that Scottish councils were increasingly drawing down on their revenue reserves; and whilst all councils had medium term financial planning covering the next three to five years, long term financial planning had not improved since the last report.

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<sup>15</sup> [https://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr\\_191217\\_local\\_government\\_finance.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr_191217_local_government_finance.pdf)

## Practice in Wales

- 6.4.7 The value for money audit opinion an auditor of a Welsh local authority is required to provide is the same as that in England; that is an opinion on the “arrangements for securing economy, efficiency and effectiveness in its use of resources”. However, the Welsh Code of Audit Practice requires auditors to review significant arrangements in place irrespective of whether material risks have been identified.
- 6.4.8 Where an auditor identifies notable financial resilience or other value for money concerns, the Auditor General for Wales has the statutory power<sup>16</sup> to publish a separate substantive report. These reports are publicly available on the Wales Audit Office’s website and provide an in-depth assessment of the issues identified and the appropriateness of the plans that the local authority has to address these.

## Practice in New Zealand

- 6.4.9 Local authorities in New Zealand are required to report performance in the Annual Report and Accounts against a range of financial prudence benchmarks specified in legislation. The auditor is required to report on the completeness and accuracy of the local authority’s disclosures against these benchmarks. As all of the benchmarks have pass/fail thresholds, they lend themselves to a binary audit opinion.
- 6.4.10 The purpose of this statement is to disclose the Council’s financial performance in relation to required benchmarks in order to assess whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings. Although the benchmarks are backwards looking, five-year trend information is presented which helps the user of the accounts to understand how effective the local authority is in managing its financial resilience.

## 6.5 The audit of financial resilience – a new model for England?

### Introduction

- 6.5.1 There is a significant gap between the reasonable expectations of many stakeholders and what the auditor is required to do when assessing the financial stability and resilience of local authorities.
- 6.5.2 To help bridge the expectation gap, the scope of audit should include a substantive test of a local authority’s financial resilience and sustainability. Care and attention will need to be taken to define how the auditor should address historical, current and future financial sustainability issues, so that the engagement does not become overly burdensome or provide false comfort to stakeholders. In addition, expanding the scope of the audit will increase costs, and there needs to be a balance between those costs and the potential benefits of additional audit coverage and reporting.
- 6.5.3 However, cost should not be a deterrent in and of itself. The expansion of the opinion to encompass financial resilience and sustainability would, potentially, provide comfort to the authority and to council taxpayers that the finances are in good order. This

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<sup>16</sup> under Section 17 of the Public Audit (Wales) Act 2004 and section 18 of the Local Government Wales Measure 2009

would represent a genuine demonstration of public accountability both from a local authority and from an audit perspective.

## Form of the opinion

6.5.4 The revised narrative opinion proposed in the new NAO code should lead to a significant enhancement in the usefulness of auditor reporting. The 2020 Audit Code sets out three reporting criteria (para 3.10)<sup>17</sup>:

- Financial sustainability: *how the body plans and manages its resources to ensure it can continue to deliver its services;*
- Governance: *how the body ensures that it makes informed decisions and properly manages its risks; and*
- Improving economy, efficiency and effectiveness: *how the body uses information about its costs and performance to improve the way it manages and delivers its services.*

6.5.5 These criteria are not dissimilar to the four reporting pillars in the Scottish model. The pillar that auditors of English local authorities are not explicitly required to report on is financial management. It is unclear why this has been omitted but a possible reason is that an auditor would normally be expected to review material financial management controls as part of financial audit work.

6.5.6 The reporting requirements contained within the 2020 Audit Code will take time to settle down and embed and there will be a role for the regulator in identifying and promoting good practice. However, if practice develops as the NAO intends, the new reports should provide more useful information to stakeholders.

## Work required to support an assessment of financial resilience

6.5.7 The 2020 Audit Code requires auditors to do less work to assess financial resilience than is required in either Scotland or Wales.

6.5.8 Specifically, auditors in England will not be required to test whether the body is planning effectively to continue to deliver its services or the way in which they would be delivered over the medium or longer time horizon as in Scotland. Nor will auditors be requested to review the design of significant arrangements to secure value for money, and, where appropriate given the assessment of risk, test the operating effectiveness of those arrangements as in Wales.

6.5.9 In addition to the factors mentioned in the Code, auditors could use the indicators of financial stress in the CIPFA publication, *Pillars of Financial Resilience*, as a key element of the risk assessment.

6.5.10 To support such an assessment the auditor could be required to critically assess and, in cases where significant risks are identified, test the CFO's Section 25 report along with any other statutory reports or management estimates that have an impact on medium or long term financial resilience. This testing could include an assessment

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<sup>17</sup> [https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code\\_of\\_audit\\_practice\\_2020.pdf](https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf)

of whether there are clear plans for delivering savings, the usage rate for non-ringfenced revenue reserves and whether the local authority benchmarks its costs against nearest neighbours and takes appropriate action in response to variances, as set out in accordance with CIPFA's *Pillars of Financial Resilience*.

6.5.11 In addition, the auditor could explicitly be required to assess whether the local authority has complied in practice, and in spirit, with statutory guidance that it is required to "have regard to".

6.5.12 CIPFA's *Financial Management Code* is another model that provides a set of standards against which auditors could assess value for money and financial resilience. However, it is too detailed to assess without a considerable amount of additional audit work. Nevertheless, the principles in the *Financial Management Code* would enhance the consistency of local authority financial management. MHCLG could take the opportunity to give it statutory status when the opportunity arises and require local authorities to report on their compliance with it in their Annual Governance Statement. Since auditors are required to read the Annual Governance Statement to ensure it is consistent with their knowledge of the business this, combined with the enhanced resilience testing recommended, would require auditors to report material breaches.

6.5.13 Consideration has also been given to whether it would be appropriate to require a specific investigation. A more detailed report would enable specific VfM or financial resilience issues to be identified, as in the Welsh model. This is not recommended, as this element of the Welsh model is not applicable due to scale.

## 7. Financial reporting in local government

### 7.1 The purpose of financial reporting in the local authority sector

7.1.1 Financial reports provide information to people who seek to understand the performance of an entity. As most of the money that local authorities receive is provided from general or local taxation, it is reasonable to expect people outside the body who are interested in a local authority's financial performance to want to know how the money being managed is being spent. This includes knowing whether the local authority is performing effectively to achieve what was intended with this money.

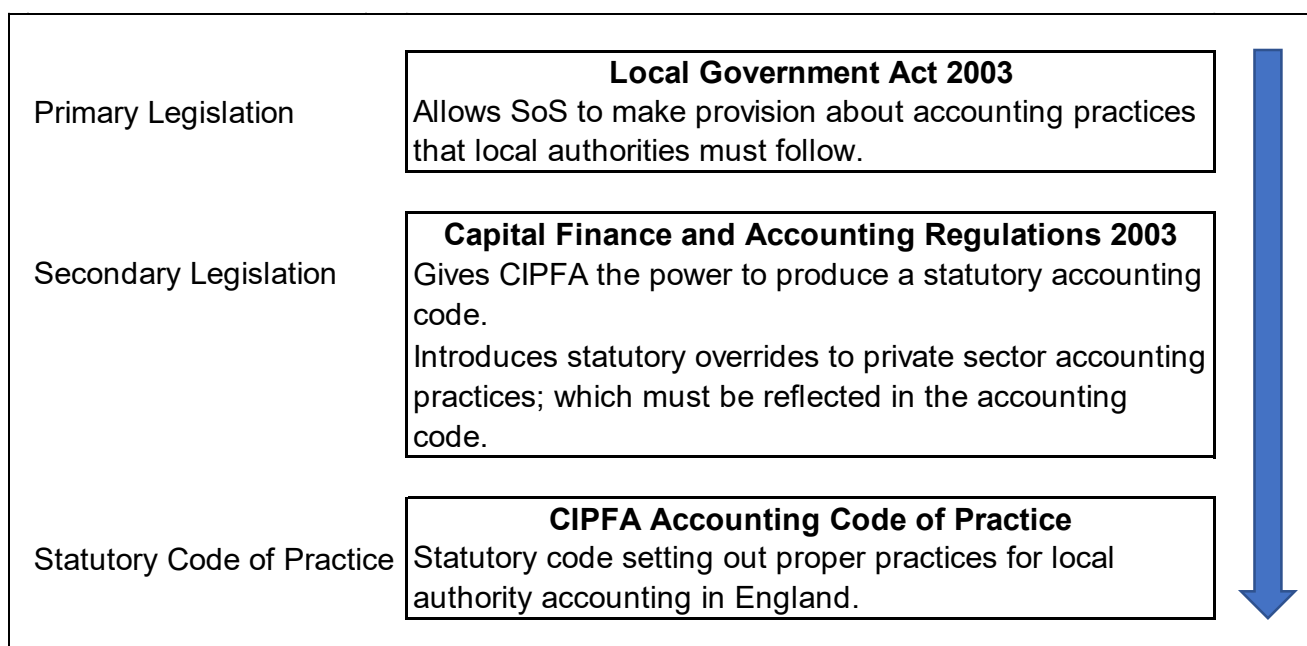
7.1.2 Local taxpayers and service users do not have the power to require a local authority to produce bespoke financial information for them. Instead, they have to rely on the financial statements. They can inspect the financial statements and the underlying accounting records for a 30-day period that must comprise the first ten days in June. This means that to be relevant the information produced in local authority financial statements must meet the accountability and/or decision-making needs of users and be sufficiently transparent and understandable to allow them to ask appropriate questions.

### 7.2 Introduction to the framework

7.2.1 When producing financial reports, local authorities are required to have regard to the Statutory Code of Local Authority Accounting Practice ("the Accounting Code"), issued by the CIPFA. The Accounting Code is based on private sector accounting standards other than where they have been adapted for the specific circumstances of local authorities or where these are overridden by specific statutory requirements. As set out in **Figure 7.1**, Government retains the power to use secondary legislation either to override normal accounting practices or to require local authorities to include additional disclosures in their accounts.

**Figure 7.1**

Hierarchy of the Local Authority Accounting Framework



- 7.2.2 When implementing, adapting or interpreting accounting standards, the Code seeks to maintain consistency with other parts of the UK public sector. Preparation of the Code is overseen by the CIPFA/LASAAC Accounting Code Board, which comprises representatives of all the key stakeholder groups. MHCLG has observer status on this Board.
- 7.2.3 This Accounting Code board does not act in isolation. Its decisions are reported to the Financial Reporting Advisory Board (FRAB), which advises HM Treasury on public sector accounting. In practice, both the annual update to the Accounting Code and any amendments or adaptations to accounting standards for the local authority sector need to be considered at FRAB as well as at the CIPFA/LASAAC Board.
- 7.2.4 The Accounting Code applies to Principal Councils, PCCs, Chief Constables, FRAs, the GLA, Mayoral Combined Authorities, Passenger Transport Executives and National Park authorities in England. It also applies to similar authorities in Wales, Scotland and Northern Ireland, although the legislative framework for these authorities is different and they are outside the scope of this Review. The Code does not normally apply to subsidiary companies consolidated into local authority accounts. Such companies use the applicable private sector accounting framework.
- 7.2.5 The Accounting Code is updated annually, and a new edition is published each financial year. Purchasing the 2019-20 Code from CIPFA costs £340 (hard copy) or £710 (online copy). CIPFA's sales numbers demonstrate that at least one third of local authorities do not purchase an Accounting Code in any given year.
- 7.2.6 The Accounting Code does not apply to smaller authorities, for example Parish Councils, Ports Authorities or Independent Drainage Boards with gross income or expenditure of less than £6.5m per annum (which is currently all but one of them). The accounting and governance framework for these authorities is set by an organisation called the Joint Panel on Accountability and Governance (JPAG), which comprises representatives of all of the key stakeholder groups. Smaller Parish Councils fill in a simplified financial return on a receipts and payments basis. Further discussion of smaller authorities is included in **Chapter 8**.

### **7.3 Format of local authority accounts**

- 7.3.1 Local authority accounts are very lengthy compared to accounts in other sectors, typically numbering in excess of 50 pages for shire districts and more than 80 for upper and single tier local authorities. They have more primary statements than central government and private sector accounts. **Figure 7.2** shows the primary statements and supplementary accounts that the user can expect to find in a set of local authority accounts.
- 7.3.2 Local authority accounts are arguably more complex and more challenging for a service user to understand than accounts produced by other parts of the public sector. This is primarily because there is a difference between the budget analysis of information for council tax purposes and the statutory basis of year end accounts.

**Figure 7.2**

## Local Authority Accounts – Primary Statements and Supplementary Accounts

Statement	Purpose
Comprehensive Income and Expenditure Statement (CIES)	Summary of the resources generated and consumed by the council on an accruals basis. Shows gross and net expenditure by service area and other income and expenditure incurred by the council.
Movement in Reserves Statement (MIRS)*	Shows how the movement in reserves in the Balance Sheet is reconciled to the CIES deficit and what adjustments are required to be charged to the general fund balance for Council Tax setting purposes.
Balance Sheet	Sets out the Council's financial position at the year end.
Expenditure and Funding Analysis (EFA)*	Summarises the annual expenditure used and funded by the Council together with the adjustments between the funding and accounting basis to reconcile with the CIES.
Cashflow Statement	Summarises the inflows and outflows of cash for revenue and capital transactions during the year.
Collection Fund Account* <ul style="list-style-type: none"> <li>Billing authorities</li> </ul>	Agent's statement that reflects the statutory obligation for billing authorities to maintain an account showing collection of Council Tax and National Non-Domestic Rates (NNDR) and the distribution of these taxes to precepting authorities.
Housing Revenue Account (HRA)* <ul style="list-style-type: none"> <li>LAs with social housing stock</li> </ul>	Local authorities are not allowed to cross subsidise provision of social housing from general taxation or vice versa. The HRA shows the major elements of expenditure on social housing and how these costs are met.

\* Statements unique to local authority accounts

7.3.3 Local authorities calculate their annual council tax requirement through setting a “balanced budget”. The balanced budget calculation that local authorities are required to make is specified in primary legislation and is undertaken on a receipts and payments basis. Following the adoption of accruals accounting<sup>18</sup> by the local authority sector and as IFRS have continued to develop, successive governments have sought to protect council taxpayers from accruals movements that do not have an immediate impact on the costs of service delivery. They have done this through introducing statutory overrides.

7.3.4 The most significant of these statutory overrides relates to depreciation. Local authorities are required to charge depreciation on assets in the same way as any other entity. They then reverse out the depreciation charge in the Movement in Reserves statement (MIRS) and replace it with a prudent provision for the debt taken out to acquire assets (Minimum Revenue Provision).

<sup>18</sup> Accruals accounting is a form of accounting where you recognise the economic cost of assets and liabilities over the period when benefits accrue. For example, if you are using accruals accounting and buy a car that you expect will last five years you would split the purchase cost of that car over five years. By comparison if you are accounting on a receipts and payments basis you would recognise the full cost of the car in the year you pay for it.



- 7.3.5 The adjustments process has two consequences. Firstly it substantially increases the length of local authority accounts as the financial statements report some transactions on both an accruals basis (through the CIES) and a funding basis (through the EFA and MIRS) and include notes reconciling the two; and secondly, unlike for financial statements produced by other sectors, neither the CIES nor the Balance Sheet shows the true financial position of a local authority. To understand that position it is necessary to understand how the outturn reported in these statements reconciles to the basis on which the balanced budget calculation is made.
- 7.3.6 In addition to the statements in **Figure 7.2**, those local authorities who are also “administering authorities” for local authority pension funds are required to publish full Pension Fund accounts in the same document as their local authority accounts. The Pension Fund accounts are audited as a separate audit engagement. This further lengthens the document and means that the audited accounts cannot be published as final until both the local authority audit and the pension fund audit have been completed. The sector has asked MHCLG to look at decoupling the local authority and pension fund accounts. However, it is not possible to do this without primary legislation.

## **7.4 Usefulness, understandability and transparency of local authority accounts**

- 7.4.1 The Annual Accounts that each local authority must prepare are prescribed in detail and relevant standards must be observed in the preparation of the statutory accounts and financial report. IFRS cover both the public and private sectors so auditors seek to adhere to those principles when auditing local authority accounts. There is widespread agreement that the resultant accounts are not transparent or easily understandable.
- 7.4.2 Local government practitioners argue that the extent and nature of asset valuations, very relevant in a commercial setting, undertaken by auditors, have limited significance in local government where assets are more often than not critical to service delivery and “market value” is not a consideration. Time allocated to the asset valuation process for property and pensions, it is agreed, is considerable and increases the cost of audit as well as, in some cases, leading to delays in the audit being finalised. Underlying this point is the question of whether IFRS should continue to be a key element of local authority statutory accounts.
- 7.4.3 An issue related to the concern in local government about the complex local authority accounting arrangements is the capacity of the external auditor to test and validate technically intricate accounting treatment without a familiarity with local authority finance and accounting. Such an assertion by local government is not universal but it is a concern of many. However, the audit community, whilst recognising that there has been depletion in the number of auditors who served in the District Audit Service, is confident it has necessary skills and resources to fulfil the role.
- 7.4.4 As highlighted in **Chapter 4**, there is evidence of market stress in the supply of appropriately experienced and qualified local authority auditors. Some auditors have also argued that local government itself does not always have accounting staff with

the technical expertise to complete the final accounts without guidance and support from external audit.

- 7.4.5 That the local authority accounts are very complex is not in dispute. There is wide acknowledgment from all stakeholder groups that the annual financial statement of accounts is understandable only to those with the necessary technical and professional knowledge of local authority accounts. When asked whether local authority accounts allow the user to understand an authority's financial performance and its financial resilience, 93% of respondents said no.
- 7.4.6 Whilst some local authority respondents argued that the understandability of the accounts is not an issue, because service users and taxpayers can take assurance from the fact that they are prepared and audited to internationally recognised standards, it is questionable whether this is a defensible position.
- 7.4.7 The lack of transparency and understandability of local authority accounts raises a fundamental and serious challenge in terms of transparency and public accountability. Potential users extend beyond councils, government and auditors. Key stakeholders include council taxpayers/service users, the general public, academia, the media and local authority partners and contractors. Without an appropriate level of transparency these users may not have the information to challenge their local authority effectively. The rigour underpinning local authority accounting and auditing may not be at issue but the accounts, as currently structured and presented, do not enable the public to understand how local authorities are stewarding public funds.

## **7.5 Options for reform**

- 7.5.1 There are three broad options for enhancing the transparency and usefulness of local authority financial statements, so that they better serve the needs of a wider group of stakeholders. These are:
- Review of IFRS as a basis for the preparation of local authority accounts.
  - Expansion and standardisation of the current narrative statement.
  - Introduction of a new summary statement presented alongside the IFRS accounts.
- 7.5.2 The underlying purpose of all three options is to strengthen financial transparency and accountability by providing a simplified presentation that is more relevant to stakeholders. All options have costs associated with them but these need to be set against the benefits of that increased transparency.

### **Review basis on which accounts are prepared**

- 7.5.3 CIPFA could be asked to review the basis of accounts, with the aim of updating the Accounting Code so that the transactions presented in the annual financial statements are prepared on the same basis as the annual budget approved by Full Council.
- 7.5.4 If followed to its logical conclusion, this would allow local authorities to prepare simplified accounts that could be easily reconciled to the annual budget. If accounts are presented on a funding basis, the reconciliations between the funding and accounting basis would no longer be required. In addition, many of the lengthier notes

to a set of financial statements, such as the financial instruments disclosures, are mainly required to support IFRS disclosures and could be removed or simplified. This would lead to much shorter documents.

- 7.5.5 There are some issues that would have to be addressed with this recommendation. Firstly, designing and implementing a new accounting framework would be challenging. CIPFA could go back to the pre-2010 near cash accounting framework, but it is questionable whether this would be appropriate. Many local authorities are far more commercial in their operations and have far more leveraged balance sheets than in 2010, so removing much of the accounting for long term assets and liabilities could present a misleading picture of financial resilience to service users. It could lead to local authorities to leveraging their balance sheet yet further, storing up potential financial problems for future years.
- 7.5.6 Secondly, there is the perception risk of such a step. There could be a perceived disconnect if local authorities reverted to cash accounting at the same point that some are becoming more commercial, taking on more debt to invest in assets acquired solely or partially to generate a return.
- 7.5.7 Thirdly, moving away from IFRS accounting would create consistency problems between various parts of the public sector. The Accounting Code applies to Scotland, Wales and Northern Ireland as well as to England. If English local government moved to a near cash accounting framework, the other UK jurisdictions would face the decision of mirroring that move or else the Accounting Codes would need to diverge. In addition, the results of UK local government bodies are consolidated into the Whole of Government Accounts, which are prepared on an IFRS basis. If English local authority accounts moved to a near-cash accounting basis, those authorities would in practice be required to maintain financial records and prepare accounts on two bases: on a near-cash basis for their own accounts and an IFRS basis for consolidation into WGA. This would impose considerable additional cost.
- 7.5.8 Finally, the UK public sector is held up as applying a gold standard of accounting, primarily because it is one of the few to apply IFRS fully. If part of the sector moved away from this it could generate considerable reputational risk. As a result, HM Treasury and FRAB may well oppose any significant modification of the English local authority accounting framework.

### **Expansion and standardisation of the narrative statement**

- 7.5.9 The framework for local authority annual reports and accounts is unusual in that, although local authorities are required to prepare an annual report, it does not include any mandatory disclosures. In 2015 CIPFA launched the “Telling the Story” initiative, which encouraged local authorities to use the annual report to accurately reflect financial and service performance. Some local authorities have produced innovative and informative annual reports following the launch of this initiative, but performance varies, with other authorities making minimal disclosures. In addition, because “Telling the Story” does not include mandated standards or disclosures it is not consistent across authorities.

7.5.10 By comparison, the UK Central Government Financial Reporting Manual (the “FReM”) requires all central government reporting entities to prepare a Performance Report and an Accountability Report, both of which are based on Companies Act requirements as adapted for the public sector and contain mandated disclosures.

7.5.11 A similar approach could be adopted for local authority accounts. In this model, local authorities could be required to include a Performance Report in their annual report and accounts containing a reconciliation between the approved budget and year-end service expenditure, along with explanations for significant variances and the impact of the variances on revenue reserves, prepared on a budget setting basis whilst being reconcilable to the statutory accounts. Potentially this could be supplemented with standardised service delivery metrics and an explanation of longer-term risks and mitigations linked to key financial management strategies such as the Mid-Term Financial Plan, as appropriate.

7.5.12 The proposed Performance Report could be a transparent element of a local authority’s Annual Report and Accounts, which discloses what the local authority planned to spend on each major service area, what it actually spent, where there were significant variances between the two what the reasons were, and what impact that has had on the reserves available to support the following year’s expenditure. With the addition of service delivery metrics, the Report could also start to give an indication of what service users and taxpayers have got for their money. If the financial information and performance metrics are prepared to common standards, this could start to bring a degree of comparability between authorities, which could promote improvements in the effectiveness and efficiency of service delivery.

7.5.13 Finally, if the reconciliation between budget and outturn is presented in the Annual Report, it may be possible to remove or reduce the MIRS, the EFA and supporting disclosures. This could offset the increased work required to produce the new Performance Report.

7.5.14 There are some challenges with this approach:

- it would mean extending the scope of the audit engagement, particularly if the auditors are required to form an opinion on non-financial information.
- if non-financial service delivery metrics are subject to audit they will need to be prepared and disclosed on a consistent basis. It will be necessary to identify appropriate metrics across a range of service areas, a process that could take time. In addition, including metrics for all of the services that a local authority provides would require very lengthy disclosures.
- if included in a long Annual Report and Accounts document, there is no guarantee that this statement would be any more visible to the general public than the current financial statements are.
- there is a risk that some local authorities use the narrative element of such a statement to present an overly positive view of their achievements and finances.

## Introduction of a new summary statement

- 7.5.15 A variation in part, and a replacement of the enhanced narrative statement, is to leave the current local authority accounts largely unaltered and instead require the production of Summarised Accounts, prepared on the budget setting basis. As with the enhanced narrative statement, the Summarised Accounts would need to be reconcilable to the Statutory Accounts and be subject to audit to have credibility.
- 7.5.16 Statutory Guidance would need to be developed to set out the form and content of the Summarised Accounts. Potentially they could contain:
- A statement of service information and costs prepared in a standard format and to a standardised framework. The most appropriate framework would probably be the statutory Service Reporting Code of Practice (SERCoP).
  - Comparison between budget setting information and outturn performance.
  - A degree of detail to encompass all key service expenditure heads; where appropriate this could be extended to present unit cost information. A simplified balance sheet, including some form of assurance relating to non-ringfenced revenue reserves and debt levels and borrowing plans, with the latter linked to the Prudential Framework disclosures, could also be produced.
  - A brief narrative. This could be limited to a financial commentary comprising explanations of significant variances between budget and outturn along with an assessment of the impact on medium term financial sustainability. It may also be possible to include a brief description of outcomes though this would need to be linked back to the objectives set when the annual budget was approved.
- 7.5.17 The aim of this document would be to present a statement aimed at the local community rather than as a basis for compiling national statistics. Because of differences between local authorities, comparability would be difficult and potentially misleading. Local authorities could be asked to think about a range of communication methods to reach their local communities more effectively.
- 7.5.18 The summary accounts would be a vehicle to increase transparency. As this would be a short stand-alone document, it would be much more accessible to taxpayers and service users.
- 7.5.19 Local authorities would have to reconcile outturn between the funding basis and IFRS accounting basis. However, the value of disclosing these reconciliations could be reassessed, potentially allowing the MIRS, the EFA and supporting disclosures to be discontinued. This could allow the statutory financial statements to be prepared on an IFRS basis without statutory adjustments.
- 7.5.20 Finally, consideration would need to be given as to the level of audit required for the Simplified Statements, and the agreed procedures that auditors would be required to undertake to provide assurance over reconciliations between the IFRS Financial Statements and the Simplified Financial Statements, that are not disclosed in either.

## 8. Smaller authorities

### 8.1 Introduction

8.1.1 Smaller authorities are defined in the 2014 Act as an authority where the higher of gross annual income or expenditure does not exceed £6.5 million for three years (or one or two if the authority has not existed for three years). Currently there are just under 10,000 smaller bodies, only one of which has to prepare a full set of IFRS compliant accounts and undergo a full audit.

8.1.2 There are different types of smaller authority with a varied range of responsibilities and powers:

- Local councils including Parish, Town, Village and Community Councils and parish meetings. Some common responsibilities can include, but are not limited to, commons and open spaces, car parks, lighting, footpaths, leisure and sports facilities, litter bins, and tourism activities. Some of these services are delivered on behalf of the unitary and district councils.
- IDBs which are responsible for managing water levels including managing flood risks and land drainage.
- Other smaller authorities such as charter trustees, port health authorities, conservation bodies and crematorium boards.

Smaller authorities are financed primarily through a precept which is collected as part of council tax by the unitary or district council. They can also apply for grants and awards.

8.1.3 Governance arrangements depend on the type and size of the authority. All local authorities are required to have a clerk; however, for small authorities, this could be their only employee or may be a volunteer or part-time worker. Roughly two-thirds of smaller authorities have a single employee, and some don't have any employees. The clerk is analogous, in part, to a CFO in a principal authority, as there is a requirement to give guidance to councillors, in many cases carrying out the role of the Finance Officer. Smaller authorities must publish the statement of accounts together with any certificate or opinion provided by the local auditor<sup>19</sup>.

### 8.2 Scale of audit

8.2.1 Smaller authorities are not required to produce IFRS based accounts but instead produce a simplified statement of account on a receipts and payments basis. Some larger Parish Councils present accruals-based accounts alongside this, although these are unaudited. As set out in **Figure 8.1**, smaller authorities are either exempt from audit or undergo a 'limited assurance engagement'. As the name suggests, this provides less assurance than a full-scale audit.

8.2.2 While most authorities with an income or expenditure of up to £25,000 are exempt from audit, a request can be made for a 'limited assurance engagement' from SAAA who will then appoint an auditor to undertake this work. More than 100 bodies have chosen to do this.

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<sup>19</sup> The Accounts and Audit Regulations 2015

[https://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi\\_20150234\\_en.pdf](https://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf)

**Figure 8.1**Table of audit thresholds and associated requirements for smaller authorities<sup>20</sup>

Level of income or spending	Form of external assurance to be provided from 2017-18 onwards	% of smaller authorities in each band
More than £6.5 million.	'Full audit' under international auditing standards.	0.01%
Up to £6.5 million but more than £200,000 (accounts on income and expenditure basis)	Limited assurance engagement but may opt for 'full audit'.	11%
Up to £200,000 but more than £25,000 (accounts can be on either receipts and payments or income and expenditure basis)	Limited assurance engagement but may opt for 'full audit'.	31%
Gross income or gross expenditure up to £25,000	Exempt from audit and limited assurance engagement in most cases, subject to the authority certifying that it is exempt.  Work by an auditor may still be needed in certain circumstances – notably if there are objections to the accounts.	58%
No financial transactions and no accounts	Exempt from audit and limited assurance engagement in most cases, subject to the authority certifying that it is exempt.	

8.2.3 Smaller authorities are also required to undertake an internal audit to evaluate the effectiveness of its risk management, control and governance processes<sup>21</sup>. Quality of internal audit staff is said by some respondents to be variable, which has the potential to cause issues for the external audit.

8.2.4 One of the trends in recent years has been the transfer of assets and associated running costs to Parish Councils. If smaller authorities are given more responsibility, or if the spending of smaller authorities were to change to where many such authorities approach the £6.5 million threshold, the current accountability arrangements may no longer be appropriate. The assurance levels may need to be reviewed by MHCLG. This is especially pertinent as smaller authorities are not bound

<sup>20</sup> NAO AGN02 Specified Procedures for Assurance Engagements at Smaller Authorities <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Auditor-Guidance-Note-02-Specified-Procedures-for-Assurance-Engagements-at-Smaller-Authorities.pdf>

<sup>21</sup> The Accounts and Audit Regulations 5(1)

2015 <https://www.legislation.gov.uk/uksi/2015/234/made#:~:text=5.,internal%20auditing%20standards%20or%20guidance.>

by council tax referendum rules<sup>22</sup> and can raise their precept by the amount they consider necessary.

8.2.5 In 2020, one IDB met the threshold for preparing full statutory accounts. Available evidence suggests that this is the first occasion of this happening. The cause of the IDB's increase in income and expenditure was the capital grants it received and, as such, the requirements for a full code audit may be temporary. PSAA and the Association of Drainage Authorities (ADA) have worked with the authority to find a new auditor as the previously appointed auditor does not qualify under the statutory framework to undertake full audits. This also resulted in an increased audit fee, from less than £5,000 to £40,000. Producing full IFRS accounts will considerably increase the amount of internal work required by the IDB and this is likely to represent a challenge to its available skills and infrastructure.

### **8.3 Procurement of audit**

8.3.1 Prior to 2017, smaller authorities were included in the audit contracts let by the Audit Commission in 2014 that were taken over by PSAA through the transitional arrangements. SAAA was designated as an appointing person under legislation<sup>23</sup> by the Secretary of State to take over this role from 2017-18. SAAA is an independent, not for profit company. SAAA was set up by the National Association of Local Councils (NALC), Society of Local Council Clerks (SLCC) and the Association of Drainage Authorities (ADA). Although smaller authorities have the same power to appoint their own auditors as principal authorities, in practice, all smaller authorities opted in to SAAA's procurement. SAAA has appointed external auditors for a 5-year period from 1 April 2017.

8.3.2 SAAA's procurement comprised 17 equally sized lots. Other than for IDBs, which were grouped together, lots were geographically based. The SAAA procurement was based on price once a supplier had met a minimum quality threshold. There were five firms that met this threshold. The result of this exercise was that 15 were awarded to a single audit firm and two other firms won one lot each. This met SAAA's declared objective of having a minimum of three firms in the market. Of the three firms, two had previously held contracts with PSAA and one re-joined the market. With regard to the quality and price ration for appointing auditors, SAAA believes that once a certain threshold is reached, it is very difficult to differentiate between firms on the basis of quality.

#### **Fee scale**

8.3.3 SAAA's fee scale is based on 15 bands of income or expenditure (whichever is higher). Audit Commission and then PSAA, through the transitional arrangements, also used this fee scale. Exempt authorities do not pay an audit fee. Authorities with income or expenditure of between £25,000 and £50,000 pay an audit fee of £200. Fees rise in stages up to a maximum of £3,600 in cases where income or expenditure is more than £5 million but less than £6.5 million.

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<sup>22</sup> The Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012 <https://www.legislation.gov.uk/ukdsi/2012/9780111519035/regulation/3>

<sup>23</sup> The Local Audit (Smaller Authorities) Regulations 2015 <https://www.legislation.gov.uk/ukdsi/2015/9780111126103>



- 8.3.4 The scale fees paid by smaller authorities for their audit have remained unchanged for the past 12 years. There have been savings for those smaller authorities that, from 2017, could declare themselves as exempt and, therefore, did not have to pay for an audit.
- 8.3.5 This audit fee model relies on larger authorities supplementing the cost of audit work for smaller authorities. As there are 15 bands of fees, there may be councils receiving the same level of audit work whilst paying different amounts. Although this may offer the most efficient method of payment to ensure audit is affordable for all smaller authorities, the banding system may warrant review.
- 8.3.6 Overall, smaller authorities seem content with the level of audit fees they pay. The only area of concern raised related to capital grant funding. Two Parish Councils raised concerns that the impact of the rising scale fee could be a deterrent for local authorities investing in future capital schemes in the local community.

### Fee variations

- 8.3.7 Smaller authorities may be subject to variations to the scale fees set out above if additional work is needed. Some of this work is costed as a fixed supplement of the fee scale and some is charged at fixed hourly rates. SAAA agreed a maximum hourly rate for additional work and this is published on their website. Examples of where fee variations may be charged include the auditor considering objections to the accounts from local electors, and where special investigations are undertaken.

### Quality

- 8.3.8 There is no indication that the smaller authority audit market is encountering delayed audit opinions, as is the case for larger authorities. SAAA use trackers completed by the firms to collate and analyse key management information to track and report on the management, delivery and the outcomes of limited assurance reviews. SAAA also reviews the underlying data quality and system interfaces on a light touch risk basis.
- 8.3.9 In carrying out its quality assurance role, as set out in the Appointing Person Legislation, SAAA review and test the firms' internal quality assurance processes and contract compliance systems (quality aspects) to ensure the delivery of good quality reviews. An overall rating for both quality of limited assurance review work and contract management, compliance and data quality is provided. The findings of this process are reported to each firm and to SAAA's Board. They do not publish these findings, though they maintain the right to do so.
- 8.3.10 A very small number of smaller authorities responded to the Call for Views; therefore, it must be stressed that the following comments are not necessarily reflective of the sector. One Parish Council commented that the arrangement with SAAA made it feel that the auditor didn't consider the council to be its customer. Similar feedback has been received concerning PSAA's role. It also commented that it felt the quality of their audit was very poor and that it added no value. This may be in part due to the framework of limited assurance audit for smaller authorities and a resulting 'expectation gap'. The Review is unable to corroborate whether this is a commonly held view.

8.3.11 Two other Parish Councils questioned whether auditors provided the right level of assurance. One commented that larger Parish Councils should be held to the same standards for financial reporting, transparency and accountability as those applied to principal authorities of equivalent size. The council linked this to the fact that some councils are playing an increasingly significant role in their communities. It is true that there are currently three smaller authorities that have an annual income or expenditure of over £5 million which is similar to the smallest Category 1 authority which is subject to a full audit. However, there are not many Category 1 authorities that are this small. The other respondent was specifically concerned about governance and financial transparency within the council and the lack of clarity on spending.

## 8.4 Accountability

8.4.1 In addition to producing a financial return, most smaller authorities are subject to transparency requirements. There are two Transparency Codes; authorities with an income or expenditure of £200,000 or more are included in the same mandatory Transparency Code<sup>24</sup> as principal authorities. Exempt authorities are subject to a specific smaller authority Transparency Code<sup>25</sup>, made mandatory in April 2015, that:

*“will enable local electors and ratepayers to access relevant information about the authorities’ accounts and governance”.*

8.4.2 Authorities with income and expenditure under £200,000 but above £25,000 are expected to follow the same requirements but it is not mandatory. As these authorities are subject to audit, the transparency code was not considered to be applicable. Such difference in approach may warrant further attention. However, Commitment 8 in the governments UK National Action Plan for Open Government<sup>26</sup>, sets out the government’s plan for local transparency which includes MHCLG developing proposals to:

*“help and encourage councils to publish all the information they can”.*

### Objections

8.4.3 Local objections can be made to an item of expenditure in a smaller authority’s finance return. It is very difficult to ascertain how many objections to the accounts smaller authorities receive, as the auditor is required to respond, by statute, only to the objector. As a result, most objections are never made public, the exceptions being if an objector chooses to publish a response or the investigation leads to a Public Interest Report. However, one authority reported over 100 objections in a single year. NALC commented that several authorities at the smaller end of the income and expenditure level are consistently subject to objections, sometimes by the same individual or group of objectors.

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<sup>24</sup> Local Government Transparency Code 2015

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/408386/150227\\_PUBLICATION\\_Final\\_LGTC\\_2015.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/408386/150227_PUBLICATION_Final_LGTC_2015.pdf)

<sup>25</sup> Transparency Code for Smaller Authorities

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/388541/Transparency\\_Code\\_for\\_Smaller\\_Authorities.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/388541/Transparency_Code_for_Smaller_Authorities.pdf)

<sup>26</sup> 2019-2021 UK National Action Plan for Open Government

<https://www.opengovernment.org.uk/resource/uk-national-action-plan-for-open-government-2019-2021/>

8.4.4 The auditor is responsible for reviewing all objections that meet the statutory requirement. In deciding whether to investigate, the auditor has to review the objection, which will result in a cost to the authority (not exceeding the maximum hourly rates as specified by SAAA) even if they do not subsequently pursue an investigation.

8.4.5 The auditor can refuse to investigate an objection<sup>27</sup> if:

- the cost of dealing with the complaint would be disproportionate to the underlying sum;
- the objection is frivolous or vexatious; or
- it is a repeat of a complaint made in a prior year of account.

8.4.6 A number of smaller authorities receive repeat or vexatious complaints. Where an authority receives such a complaint, it can choose to terminate communication with the complainant. However, if that individual raises an objection, an auditor must consider it to see if it is something to be pursued. This work incurs a supplement to the scale fee as set out by the SAAA. Given the size of many smaller authorities, objections can be proportionately very costly, both in terms of additional fees paid to auditor firms and in terms of resources that the authority requires to support, appropriately, the objection process. As with larger authorities, outstanding objections can cause a delay in issuing the audit opinion

8.4.7 The objections regime does provide a solid basis of accountability and ensures the auditor investigates potential issues further, to supplement the ‘limited assurance’ audit. There may be cases where the system is misused. Consideration should be given to provide more support to auditors to enable them to identify repeat or vexatious objectors in a more efficient manner.

### Public Interest Reports

8.4.8 External auditors have a duty under the 2014 Act to consider whether to issue a report where there has been a significant matter identified that needs to be addressed in the interests of the public. There are more PIRs issued for smaller authorities than there are for larger authorities. SAAA publishes reports from the 17/18 financial year on their website, and previous financial years are available on the archived PSAA website.

**Figure 8.2**

Smaller Authorities - Reasons why a PIR was issued

	16/17	17/18	19/20
Failure to produce an annual return (for 16/17) or an AGAR (from 17/8 onwards)	16	22	23
Criteria submitted for exemption not all satisfied	N/A	0	8
Other	6	1	0
<b>Total</b>	<b>22</b>	<b>23</b>	<b>31</b>

*The “other” category includes issues relating to governance, fraud, employment law, and non-compliance with VAT regulations.*

<sup>27</sup> NAO Local Authority accounts: A guide to your rights <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Council-accounts-a-guide-to-your-rights.pdf>

- 8.4.9 One authority had a PIR issued for all three years for failure to produce an annual return or annual governance and accountability returns (AGAR), and a further seven authorities had a PIR issued in two of the three years for the same reason. Failure to produce an AGAR from 2017/18 triggers a statutory recommendation to the authority from the external auditor that it should submit an approved AGAR within 42 days. A public interest report is then issued if the authority fails to do so.
- 8.4.10 Out of the six PIRs issued in 16/17 that were *not* due to a failure to produce an annual return, four of them related to work carried out by auditors in response to objections raised by a local elector. In one authority's case, it received objections on a multitude of issues with one issue (ineffective internal audit and other governance failings) receiving a number of objections.
- 8.4.11 If a smaller authority chooses not to engage with external audit recommendations or PIRs, there is no mechanism, other than through local elections, to hold smaller authorities to account. The LGSCO investigates complaints against larger local authorities, but this does not extend to Parish Councils. If MHCLG wishes to devolve more powers to smaller authorities or smaller authorities increase their spending considerably, MHCLG should consider further accountability arrangements for smaller authorities.

## **8.5 Financial Reporting in Smaller Authorities**

- 8.5.1 Smaller authorities that are able to declare that they have had no financial transactions in the year of account do not need to prepare accounts. Instead they can send a declaration that they are exempt to their auditor.
- 8.5.2 Smaller authorities that cannot declare themselves exempt have to prepare an Annual Governance and Accountability Return (AGAR). The AGAR, which is freely available and updated annually is prepared by an organisation known as the Joint Panel on Accountability and Governance (JPAG).
- 8.5.3 JPAG is responsible for issuing proper practices about the governance and accounts of smaller authorities. Its membership consists of sector representatives from the National Association of Local Councils, the Society of Local Council Clerks and the Association of Drainage Authorities, together with stakeholder partners representing MHCLG, the Department of Environment, Food and Rural Affairs, CIPFA, the NAO and a representative of the external audit firms appointed to smaller authorities.
- 8.5.4 The AGAR has a number of sections. In order these are:
- a. Guidance notes on how to complete the template and what information needs to be published on the authority's website.
  - b. The Annual Internal Audit Report.
  - c. Section 1: The Governance Statement.
  - d. Section 2: The Accounting Statement, which is prepared on a receipts and payments basis.
  - e. The External Auditor Report and Certificate.
- 8.5.5 Each non-exempt smaller authority is required to complete parts b, c, and d of the AGAR and send it together with a bank reconciliation and an explanation of any variances between the budget and the outturn to the auditor. The template itself is quite short, but fairly busy, with detailed guidance included in each section.

8.5.6 Under the Accounts and Audit Regulations 2015, authorities must publish the following information on a publicly accessible website. Before 1 July, smaller authorities must publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;
- Section 1 - Annual Governance Statement, approved and signed; and
- Section 2 - Accounting Statements, approved and signed.

8.5.7 Not later than 30 September, smaller authorities must publish:

- Notice of conclusion of the audit;
- The External Auditor Report and Certificate: and
- Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review.

## 9. Conclusions

- 9.1 During the course of this Review it has become increasingly apparent that the current local audit arrangements fail to deliver, in full, policy objectives underpinning the 2014 Act. As a result, the overriding concern must be a lack of coherence and public accountability within the existing system. For local audit to be wholly effective it must provide a service which is robust, relevant, and timely; it must demonstrate the right balance between price and quality; and be transparent to public scrutiny. The evidence is compelling to suggest that the current audit service does not meet those standards.

### Key Factors Determining the Outcomes of The Review

- 9.2 In reaching the outcome and recommendations for this Review the following key factors have been taken into account:
- providing clarity of purpose in local audit;
  - giving emphasis to performance and accountability in local audit framework;
  - maintaining and improving the stability of the local audit market;
  - reaffirming the importance of the auditing and accounting staff having the requisite skills, training and experience to fulfil their roles;
  - improving and strengthening the governance arrangements underpinning effective local audit;
  - developing coherence and coordination in the procurement and effective delivery of audit performance within a clear and consistent accountability framework;
  - engaging key stakeholders in regular dialogue as an aid to maintaining an effective local audit service; and
  - providing transparency in financial and external audit reporting to reinforce public accountability.

### Local Audit

- 9.3 As currently configured the local audit market is vulnerable, due in no small part to the under-resourcing of audit work required to be undertaken within the contract sum. In addressing this weakness, a fundamental review of the fee structure is necessary. Evidence suggests that audit fees are at least 25% lower than is required to fulfil current local audit requirements effectively. Concerns reported about variable levels of knowledge and experience of local government finance and accounting demonstrated by auditors must also be addressed. The skills and competencies of auditors must also be paramount if the full extent of audit requirements are to be delivered satisfactorily. The current audit deadline of 31 July is viewed as unrealistic and in the light of the evidence presented by the Call for Views, there is a compelling argument to change this date to 30 September. The procurement arrangements must acknowledge these factors and it is essential that the audit performance regime offers assurance to the public that true accountability has been served.
- 9.4 Attention has been given to whether the existing local audit framework might be improved to achieve these objectives. The roles and responsibilities of all relevant bodies should be reviewed to respond to the concerns expressed in this report. However, the key challenge is the underlying weakness of the current arrangements where there is no coordination and regulation of local audit activity. This is a role best discharged by a single overarching body.

- 9.5 A single body would embrace all aspects of local audit incorporating procurement, contract management, the code of local audit practice, accountability for performance, oversight and regulation. Clarity of purpose, consistency and public accountability would be essential features of this approach and the expertise and skills of those currently providing these services would be harnessed and maintained in the new body.
- 9.6 The Review has highlighted a potential weakness in the way in which audit outcomes are considered and presented to both the local authority and the public. The ability of Audit Committees, which mostly lack independent, technically qualified members, to consider, effectively, audit reports has been challenged in responses to the call for views. In addition, transparency and accountability of audit reports, from a public perspective is lacking and there is considerable scope for the Key Audit Partner to present a report on the principal issues arising from the audit to Full Council at least annually.
- 9.7 The situation facing PCCs and FRAs is many ways similar to those for principal councils in that audit quality and price are in need of review. Governance here, however, is somewhat different in terms of reporting lines and public accountability as these are currently more transparent than those applying in Principal Authorities.
- 9.8 Parish Councils, Meetings, IDBs and other smaller authorities operate on a much smaller scale and procurement/contractor arrangements are overseen by SAAA where no serious concerns have been identified. However, there is scope here to improve public reporting of local audit outcomes and attention should be given to 'turnover' thresholds in order to ensure a proportionate level of resource is utilised in fulfilling audit requirements.
- 9.9 An area that has generated considerable comment is the perceived gap between the reasonable expectations of many stakeholders and what auditors are required to do relating to the financial stability and resilience of local authorities. There is a compelling argument to extend the scope of audit to include a substantive test of financial resilience and sustainability. The scope of this audit needs to be clearly defined and focused to ensure there is a balance between cost and the potential benefits of such additional audit coverage and reporting. This would represent a genuine demonstration of public accountability.
- 9.10 The new NAO code includes a revised narrative audit opinion and sets out three reporting criteria relating to financial sustainability, governance and improving economy, efficiency, and effectiveness. This approach, once fully established, will provide a very important statement to stakeholders regarding a local authority's financial health. In effecting this scrutiny of financial sustainability, the auditor would also undertake an assessment of the risks identified in the CFO's annual Section 25 report of the budget. This could be further assisted by a review of the local authority's observance of CIPFA's Financial Management Code which provides a set of statements including value for money and financial resilience. To ensure that the Auditor's work is genuinely transparent and accessible to local taxpayers an Auditor's Report should be presented to the first Full Council meeting after 30 September every year, irrespective of whether the financial accounts have been certified.

## **Transparency of Financial Reporting**

- 9.11 This report has highlighted the inability of the general public to understand the annual statutory accounts presented by local authorities. The technical complexity of the accounts means that service users/council taxpayers have little or no opportunity to comprehend what is being said or to challenge expenditure and income relating to a specific service and how the local authority has performed.
- 9.12 Three options have been explained in this report as a possible response to this problem. A review of the existing IFRS based accounts could be undertaken, but, given the requirement to observe international reporting standards, it may not yield the simplicity in presentation and terminology that is sought here. An alternative detailed in this report would entail adapting the existing narrative report produced by local authorities as an addendum to the statutory accounts where discretion would be afforded to each local authority regarding style, content and presentation. The third and final option relates to a new simplified statement of service information and costs as a means of enabling each local authority to communicate, in a standardised format, the key information relating to the budget and council tax setting compared to actual financial performance. If transparency and consistency of financial reporting are to be achieved this last option best meets these objectives although the experience developed in the production of narrative reports may be beneficial in its design.
- 9.13 A draft of a simplified statement is included as an annex to this report which incorporates the key features of simplicity and transparency. Observance of IFRS based accounts remains an important ingredient in ensuring proper accountability for financial performance, so the current statutory accounts should still be produced. This requirement is underpinned by a Code of Accounting Practice produced by CIPFA. Many local authorities have not purchased the most recent copy of the Accounting Code. Consideration should be given to this being freely available, given its importance in the construction of statutory accounts.



## **10. List of Annexes**

1. What are auditors required to do?
2. Roles and duties of Statutory Officers
3. Functions of the Office of Local Audit and Regulation
4. Illustrative Simplified Financial Statements
  - a. District Council
  - b. Fire and Rescue Authority
  - c. Police and Crime Commissioner
  - d. Unitary Authority
5. Potential impact of recommendations made by other reviews of audit
6. Approach of other state auditors to performance audit
7. Terms of Reference
8. Call for Views respondents

## **Appendix – Glossary of Key Terms, Acronyms and Abbreviations**

**ACCA** – Association of Chartered Certified Accountants

*Professional accounting body offering the Chartered Certified Accountant qualification*

### **Accounting Officer**

*Normally the Permanent Secretary of a government department who is personally responsible for the regularity and propriety of expenditure, robust evaluation of different mechanisms for delivering policy objectives, value for money, the management of risk, and accurate accounting for the use of resources*

### **Accounts and Audit Regulations 2015**

*Statutory Instrument that sets the deadlines for publishing unaudited local authority accounts for inspection and for publishing audited local authority accounts; requires local authorities to have an internal audit; and details the information that must be included in local authority annual report and accounts.*

### **Adverse Opinion**

*An audit opinion - a conclusion that an authority's accounts are not true and fair/proper arrangements to secure the economy, effectiveness and efficiency of service delivery are not in place.*

**AGN** – Auditor Guidance Notes

*Guidance produced by the National Audit Office to support external auditors in their work and to facilitate consistency of approach between auditors of the same types of entity. These have the same status as the NAO Audit Code of Practice*

**ALB** – Arm's Length Body

*A body which has a role in the processes of national government but is not a government department or part of one, and which accordingly operates to a greater or lesser extent at arm's length from ministers.*

**Annual Audit Letter** – also known as Audit Completion Report or ISA260 Report

*The annual audit letter summarises key findings from the auditor's yearly audit; often includes management recommendations.*

**AQR** – Audit Quality Review team

*The part of the Financial Reporting Council that monitors the quality of the audit work of statutory auditors and audit firms in the UK that audit Public Interest Entities (PIEs). Since 2018-19 AQR has been responsible for the quality assurance of larger local authority audits.*

**ARGA** – Audit, Reporting and Governance Authority

*A planned independent regulatory body to replace the Financial Reporting Council. This was recommended by Sir John Kingman in his review of the Financial Reporting Council and supported by Sir Donald Brydon in his review into the quality and effectiveness of audit*

### **Audit Commission**

*A now disbanded independent public corporation that had the responsibility for appointing auditors to a range of local public bodies in England. They set the standards for auditors and had oversight their work*

**Audit Scotland**

*The body responsible for supporting the Auditor General for Scotland in providing independent assurance to the people of Scotland that public money is spent properly, efficiently and effectively.*

**BEIS** – Department for Business, Energy & Industrial Strategy

*Has policy responsibility for statutory audit, including taking forward the recommendations made by the Kingman and Brydon reviews.*

**Best Value**

*A local authority should make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Under the Duty of best value, therefore, authorities should consider overall value, including economic, environmental and social value, when reviewing service provision. Central government may use its best value powers to intervene in a local authority in exceptional cases where that best value duty has not been met.*

**Brydon Review**

*Independent Review into the Quality and Effectiveness of PIE Audits led by Sir Donald Brydon (published December 2019).*

**C&AG** – Comptroller and Auditor General

*An independent officer of the House of Commons who leads and is supported by the National Audit Office. Has the statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively and with economy.*

*Responsible for preparing, maintaining, and developing the Code of Audit Practice for local authority auditors (the Audit Code).*

**Capital Finance and Accounting Regulations 2003 (as amended)**

*Regulations governing local authority capital finance and investment. Include the statutory overrides to GAAP that local authorities in England are required to apply.*

**Category 1 Authority**

*A relevant authority that either: (a) is not a smaller authority; or (b) is a smaller authority that has chosen to prepare its accounts for the purpose of a full audit in accordance with regulation 8 of the Smaller Authorities Regulations. All local authorities with income or expenditure of more than £6.5m are Category 1 authorities. The Council of the Isles of Scilly and Shire Districts with income and expenditure of less than £6.5m are also Category 1 authorities.*

**Category 2 Authority**

*A relevant authority that is a smaller authority (that is a parish council, parish meeting or internal drainage board) and has annual income and expenditure of less than £6.5m*

**CFO** – Local Authority Chief Financial Officer / Head of Finance (also referred to as the S151 Officer)

*A local authority officer, who has statutory responsibility for the proper conduct of that local authority's financial affairs.*

**CIAA** – Chartered Institute of Internal Auditors

*A representative body of internal auditors*

**CIPFA** – Chartered Institute of Public Finance and Accountancy

*A professional public finance accountancy body. Maintains four statutory codes that local authorities are required to 'have regard to'.*

**Clean opinion** – also known as an “unqualified opinion”

An audit opinion – that the accounts are true and fair, free from material misstatement and have been properly prepared in accordance with the applicable accounting framework.

**Code of Audit Practice**

*The “Audit Code” sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. The Comptroller and Auditor General is responsible for the preparation, publication and maintenance of the Code of Audit Practice.*

**Code of Practice on Local Authority Accounting**

*Public sector organisations responsible for locally delivered services are required by legislation to prepare their accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code)*

**CIPFA/LASAAC**

*A partnership between CIPFA (England, Northern Ireland and Wales) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). Responsible for preparing, maintaining, developing and issuing the Accounting Code.*

**CMA** – Competition and Markets Authority

*A non-ministerial government department responsible for strengthening business competition and preventing and reducing anti-competitive activities*

**CMA Markets Study - Audit**

*The CMA carried out a study into the statutory audit market, to see if the market is working as well as it should. (published October 2018)*

**County councils** – also known as Shire Counties

*Upper tier authority responsible for services across the whole of a county such as: education; transport; planning; social care.*

**CQC** – Care Quality Commission

*An executive non-departmental public body responsible for monitoring, inspecting and regulating health and social care services.*

**DHSC** – Department for Health and Social Care

**District Audit Service**

*Set up in 1844, and originally part of HMT, was the Audit Commission’s in-house audit practice until all local authority audits were outsourced for the 2012-13 financial year. Most staff working in the DAS at that time transferred to the private sector accountancy firms who took on responsibility for local authority audits.*

**District Council** – also known as Shire District

*Lower tier authority, responsible for services over a smaller area than county councils such as: rubbish collection; recycling; Council Tax collections; housing; planning applications*

**EFA** - Expenditure and Funding Analysis

*Summarises the annual expenditure used and funded by the Council together with the adjustments between the funding and accounting basis to reconcile with the CIES*

### **Except for opinion**

*An audit opinion - a conclusion that in all material respects the accounts are true and fair/proper arrangements are in place except for the matters detailed in the audit certificate and report OR a conclusion that the supporting evidence provided by the authority is so deficient that the auditor is unable to conclude whether one or more material items in the accounts are true and fair/a material element of proper arrangements are in place*

### **Financial Reporting**

*Financial reporting uses financial statements to disclose financial data that indicates the financial health of an entity over during a specific period of time. These reports provide information to people who wish to understand the performance of an entity*

### **FRA – Fire and Rescue Authority**

*A supervisory body which ensures that a local fire service performs efficiently and in the best interest of the public and community it serves. FRAs can be part of a another type of local authority or can be stand-alone entities.*

### **FRAB – Financial Reporting Advisory Board**

*The role of the board is to ensure that government financial reporting meets the best possible standards of financial reporting by following Generally Accepted Accounting Practice as far as possible.*

### **FRC - Financial Reporting Council**

*An independent regulatory body which regulates auditors, accountants and actuaries and sets the UK's Corporate Governance and Stewardship Codes. Currently transforming into a new body the Audit, Reporting and Governance Authority.*

### **FReM - UK Central Government Financial Reporting Manual**

*The technical accounting guide to the preparation of financial statements, prepared after consultation with the Financial Reporting Advisory Board. It complements guidance on the handling of public funds published separately by the relevant authorities in England and Wales, Scotland and Northern Ireland*

### **General Fund**

*The main revenue account that local authorities are required to maintain. The majority of income goes into the general fund account and most service expenditure is funded from it.*

### **General Power of Competence**

*Introduced by the Localism Act 2011 and took effect in February 2012. In simple terms, it gives councils the **power** to do anything an individual can do provided it is not prohibited by other legislation. Most wholly-owned local authority companies are set up under the General Power of Competence.*

### **Generally Accepted Accounting Practice/Principles (GAAP)**

*A collection of commonly-followed accounting rules and standards for financial reporting. The acronym is pronounced "gap." GAAP specifications include definitions of concepts and principles, as well as industry-specific rules.*

### **Going Concern Test**

*An element of the audit report certifying that readers of a set of accounts are entitled to assume a business will continue in the future, unless there is evidence to the contrary. Going concern reporting is very specifically about ensuring that the correct accounting basis is being used, not about confirming whether an authority is running out of resources.*

**Greater London Authority (GLA)**

*A type of local authority. The GLA regional authority, with powers over transport, policing, economic development, and fire and emergency planning in Greater London. The GLA is unique in the British devolved and local government system, in terms of structure elections and selection of powers.*

**Head of Paid Service**

*The Head of Paid Service has statutory responsibility for the management and coordination of the employees appointed by the Council. Although the roles are separate, frequently the Chief Executive or Managing Director of a local authority.*

**HMICFRS - Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services**

*Inspectorate responsible for independently assessing the effectiveness and efficiency of police forces and fire & rescue services.*

**HMT – Her Majesty's Treasury****HOFMCP - Home Office Financial Management Code of Practice**

*The financial management code of practice provides clarity around the financial governance arrangements within policing*

**Housing Revenue Account**

*Legislation prohibits social housing expenditure from being subsidised by general fund expenditure and vice versa. Therefore, local authorities with social housing stock are required to maintain a separate "housing revenue account", which must be self-financing.*

**ICAEW - Institute of Chartered Accountants of England and Wales**

*A professional membership organisation that promotes, develops and supports chartered accountants and students in the UK, Wales and globally. Responsible for maintaining the register of firms and KAPs qualified to sign off audits of local authority accounts.*

**ICAS - Institute of Chartered Accountants of Scotland**

*A professional membership organisation that promotes, develops and supports chartered accountants and students in Scotland.*

**IFRS – International Financial Reporting Standard (set by the International Accounting Standards Board)**

*A public interest organisation which has developed and maintains a single set of globally accepted accounting standards.*

**Internal Drainage Board**

*A type of local authority which is established in areas of special drainage need in England and Wales with permissive powers to undertake work to secure clean water drainage and water level management within drainage districts. The area of an IDB is not determined by county or metropolitan council boundaries, but by water catchment areas within a given region.*

**ISA - International Standards on Auditing**

*Standards for audits of financial statements, which include objectives for the auditor, together with requirements and related application and other explanatory material. ISAs(UK) are issued by the FRC.*

**KAP – Key Audit Partner**

*A senior member of staff within an audit firm who is registered to sign off a set of local authority accounts. Does not need to be a partner in the firm.*

**Kingman Review**

*Independent Review of the Financial Reporting Council led by Sir John Kingman (published December 2018). Included commentary and recommendations for local audit.*

**KPI – Key Performance Indicator**

*A performance measurement which helps evaluate the success of an organisation or of a particular activity in which it engages.*

**LGA – Local Government Association**

*The national membership body for local authorities.*

**LGSCO – Local Government and Social Care Ombudsman**

*A service that investigates complaints from the public about councils, registered adult social care providers and other select bodies providing public services in England*

**Limitation in Scope**

*An audit opinion - a conclusion that the supporting evidence provided by the authority is so deficient that the auditor is unable to conclude whether the accounts are true and fair and/or proper arrangements are in place to deliver economy, efficiency and effective services.*

**Local Audit and Accountability Act 2014**

*Abolished the Audit Commission and established the current arrangements for the audit and accountability of the local public audit system*

**Local Audit Delivery Board**

*Consultative board chaired by MHCLG, which comprises of representatives of relevant departments and framework bodies to facilitate sharing of information about the operation of the local authority accounting framework. Meetings are held in private and it has no formal powers or remit.*

**Local Government Act 2000**

*An Act to make provision with respect to the functions and procedures of local authorities*

**London Borough**

*A single tier of local authority that provides all the services that a county and district/borough/city council would usually provide. Some services, like fire, police and public transport, are provided through the Greater London Authority.*

**Mayoral Combined Authority**

*A type of local authority created in areas where they are considered likely to improve transport, economic development and regeneration. MCAs are led by metro mayors who make decisions about policy and spending in conjunction with council leaders from each constituent council. Both the metro mayor and each of the council leaders have a single vote and must approve or oppose decisions.*

**Metropolitan borough – also known as Metropolitan District**

*A single tier of local authority that provides all the services that a county and district/borough/city council would usually provide. Some services, like fire, police and public transport, are provided through 'joint authorities*

**MHCLG – Ministry of Housing, Communities and Local Government**

*The government department with policy responsibility for the local audit framework.*

**MIRS** - Movement in Reserves Statement

*Shows how the movement in reserves in the Balance Sheet is reconciled to the CIES deficit and what adjustments are required to be charged to the general fund balance for Council Tax setting purposes*

**Monitoring Officer**

*A local government officer with three main roles: to report on matters he or she believes are, or are likely to be, illegal or amount to maladministration; to be responsible for matters relating to the conduct of councillors and officers; and, to be responsible for the operation of the council's constitution.*

**NAO** – National Audit Office

*The UK's independent public spending watchdog. The NAO support Parliament in holding government to account and they work to improve public services through their audits. They are led by the Comptroller and Auditor General*

**NHSI(E)** – NHS England and NHS Improvement

*The umbrella body for the NHS in England. From 1 April 2019, NHS England and NHS Improvement have worked together as a new single organisation to better support the NHS to deliver improved care for patients.*

**Ofsted** - Office for Standards in Education

*Office for Standards in Education, Children's Services and Skills. Inspect services providing education and skills for learners of all ages. Also inspects and regulate services that care for children and young people including those delivered by local authorities.*

**Parish Council** – can also be known as community councils

*A civil local authority found in England and is the lowest tier of local government. They are elected corporate bodies, have variable tax raising powers. Responsibilities of parish council's vary considerably but can include allotments, bus shelters, burials and maintenance of common land and rights of way.*

**Parish Meeting**

*A meeting to which all the electors in a civil parish are entitled to attend. In some cases, where a parish or group of parishes has fewer than 200 electors, the parish meeting can take on the role of a parish council, with statutory powers, and electing a chairman and clerk to act on the meeting's behalf.*

**PCC** – Police and Crime Commissioner

*An elected official in England and Wales charged with securing efficient and effective policing of a police area. Commissioners replaced the now-abolished police authorities.*

**PIE** – Public Interest Entity

*A listed company or an entity with listed debt. Under EU Law, entities are designated by Member States and are usually defined as having undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees.*

**PIR** – Public Interest Report

*When an Auditor considers there to be a matter that is sufficiently important enough to be publicly brought to the notice of the council or the public they can make a report in the public interest.*



**PSAA** - Public Sector Audit Appointments Ltd

*Public Sector Audit Appointments is a company limited by guarantee wholly owned by the Local Government Association. PSAA are specified as an appointing person for local authority under provisions of the Local Audit and Accountability Act 2014. The functions of PSAA are specified in statute.*

**Qualified Audit Opinion**

*When an external auditor concludes that financial records have not been maintained in accordance with the Generally Accepted Accounting Principles. There are three types of qualified opinion; an except for; adverse; and limitation in scope opinion*

**SAAA** - Smaller Authorities' Audit Appointments Ltd

*The sector-led limited company appointed as the specified person to procure and appoint external auditors to smaller authorities and to manage the ongoing smaller authority audit contracts.*

**SERCoP** - Service Reporting Code of Practice

*A statutory code that sets out the proper practices with regard to consistent financial reporting for services; all local authorities in the UK are expected to adopt its mandatory requirements and recommendations and use them when reporting statistical data to central government.*

**Smaller Authorities** - parish, community and town councils and internal drainage boards

*These operate at a level below district and borough councils and in some cases, unitary authorities. They sometimes deliver additional services on behalf of the district council.*

**SOLACE** – Society of Local Authority Chief Executives

*Members' network for local government and public sector professionals throughout the UK*

**TUPE** - Transfer of Undertakings (Protection of Employment)

*Regulations to protect employees if the business in which they are employed changes hands. The two types of transfer protected by TUPE regulations are business transfer and service provision changes*

**Unitary Authorities**

*A single tier of local authority that provides all the services that a county and district/borough/city council would usually provide.*

**Unqualified Audit Opinion**

*When an external auditor concludes that the financial statements of an entity present fairly its affairs in all material aspects*

**VfM Conclusion** – Value for Money Conclusion

*A requirement that external auditors undertake sufficient work to be able to satisfy themselves as to whether the audited body has put arrangements in place that support the achievement of value for money. In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period*

**Welsh Audit Office**

*The Wales Audit Office provides staff and other resources for the Auditor General's work, and monitors and advises the Auditor General for Wales.*

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Report No.  
FSD20070

## London Borough of Bromley

### PART ONE - PUBLIC

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

**Date:**                    **Tuesday 3<sup>rd</sup> November 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:-

- Audit Activity (Key Findings)
- Impact of COVID-19
- Audit Activity (Priority 1 Commentary)
- Audit Report Summaries
- Audit Activity (Other work)
- Publication of Internal Audit Reports
- Risk Management
- Waivers
- External Audit Update

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#### 2. **RECOMMENDATION(S)**

- a) Note the Progress Report and comment on matters arising
- b) Note the list of Internal Audit Reports published on the Council's website
- c) Note the External Audit Update
- d) Recommend to the GP & L Committee and the Council that the revised Corporate Financial Regulations and Financial Regulations for Schools be agreed

### Impact on Vulnerable Adults and Children

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

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

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Internal Audit
  4. Total current budget for this head: £541k including Internal Audit and External Audit, Fraud Partnership, Insurance Management and Claims handling
  5. Source of funding: General Fund/Legal Cost recoveries
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### 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: 2020/21 – 940 days are proposed to be spent on the audit plan, fraud and investigations – excludes RB Greenwich investigators' time.
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### Legal

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

1. Summary of Procurement Implications: Some audit recommendations will have procurement implications.
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 100, including Chief Officers, Heads of Service, Head Teachers and Governors
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### Ward Councillor Views

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

### **3. COMMENTARY**

#### **3.1 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)**

##### **Impact of COVID-19**

3.2.2 Members were informed at the last meeting that the COVID-19 pandemic that has had a disruptive effect across society is causing a significant impact on Local Government and the Council has had to adapt to this changing landscape. Employees are working from home with new operating models being adopted to continue business.

3.2.3 In the first quarter of 2020/21, Internal Audit concentrated on enabling the Council to deliver front line services with resources redirected to anti-fraud work and supporting service delivery. This resulted in most routine audits being suspended and this impacted on the delivery of the Audit Plan. A "recovery Internal Audit Plan" was drafted as Covid 19 infection rates continued to fall in quarter 2 with a plan to get back to "business as usual" as soon as possible. This was shared with and agreed by the Corporate Leadership Team.

3.2.4 However whilst it is important to have a plan there is a need to be flexible and agile to deal with issues which are likely to emerge from the effect of the second wave, which is now being experienced, and Assurance requirements which are coming from Government relating to initiatives which have arisen from both the first wave and now the second. There has been and there will be more operational imperatives to deliver new activities not previously undertaken by the organisation. This will include having systems in place, with sufficient controls to deal with issues such as Test and Trace Isolation payments and new payment systems to support businesses which may be forced to close in any further restrictions associated with any possible move into Tier 3. To be able to implement these effectively these processes need to be worked on in advance. The support work from Internal Audit has included and will include giving advice on new controls, processes, governance and financial procedures being put in place temporarily across the Council to reflect new ways of working, including home working and greater use of IT, as well as new responsibilities being placed on the Council with very tight timescales.

3.2.5 In the first quarter Members of staff were redeployed to be part of the Shielding team or redeployed to assist the team checking and processing of business support grant payments.

A commitment has been given that where circumstances dictate there is the possibility that those resources may again be redeployed and so any plan must be aspirational and flexible to allow for emerging challenges and risks to be dealt with immediately.

- 3.2.6 As well as providing advice, guidance and challenge on the system set up, auditors have separately carried out checks to identify any instances of fraud and irregularity in the claims for Business Support Grant payments and Discretionary Business Grants and following up where needed. It has also liaised with government and public sector counter fraud organisations to share intelligence reports, counter fraud tools and best practice in response to risks arising from those using the pandemic to commit fraud. There continues to be regular monitoring and assurance work required from Government on this and will do into next year. Further information is included in Part 2 of the agenda.
- 3.2.7 A specific area of regularity that is impacted by COVID-19 is the potential for fraud and error in expenditure, which is heightened due to the pace of the COVID-19 response. At the last meeting it was stated that a revised Internal Audit plan, which considered the new emerging risks was being drafted. This needed to be flexible and agile and was shared with Senior Management for consultation having taken into account advice from professional bodies and colleagues in the sector. It also needed to include the requirements from Government such as in the Test and Trace Support Grant, which includes a condition that the Chief Executive and Chief Internal Auditor are required to sign and return a declaration that grant conditions have been met. Since being agreed by the Corporate Leadership Team it has been updated to reflect new risks and priorities. Whilst it is sensible to have a priority list of audits to complete the current situation dictates that we need to be realistic. An online meeting of Audit Teams across London was held on the 9<sup>th</sup> October to reflect the experience of teams meeting these challenges. Concerns had been raised as to how evidence can be gained to provide the Annual Assurance Statement required in the Accounts & Audit Regulations. It was agreed that you do not have to have completed a traditional audit to gain assurance. For example, the pre-assurance work on systems such as for Support Grants and Isolation Payments can be used. The revised plan is attached as Appendix A with the Caveats above that this could be affected further by the impact of Covid 19.
- 3.2.8 Significant work has taken place on Business Support Grants and Discretionary Support Grants. The Council has been reporting to BEIS each month the number and monetary amount of business grant payments made, together with the number and monetary amount of cases of fraud, error and non-compliance which we have identified. The BEIS has also asked all Councils to complete a Fraud Risk Assessment on the business grant payment process and complete a Post Event Assurance Plan. The purpose of the Plan is for us to set out the objectives, governance arrangements and what additional testing we will carry out now to identify any further instances of fraud and non-compliance in the business grant payment process which have not already been discovered. Further detail will be included in Part 2.
- 3.2.9 From 28 September 2020, individuals are entitled to a Test and Trace Support Payment or discretionary support payment of £500. This is to support people on low incomes who are unable to work from home if they are told to self-isolate by NHS Test and Trace and will lose income as a result. These payments are designed to help ensure people who have tested positive for COVID19 and their close contacts self-isolate for the required period to stop the onward spread of the virus. They are also designed to encourage individuals who are eligible for this payment to get tested if they have symptoms. This is important to help stop the transmission of COVID-19 and avoid further economic and societal restrictions. We have been working with Managers from the Exchequers Services and Liberata to ensure that controls within the system are robust enough to ensure those in genuine need are assisted within the timescales and that levels of fraud are kept to a minimum.

- 3.2.10 The Council has taken the decision to prepare in advance a process/service to pay local restriction grant payments (LRGS). The service would be invoked should Bromley independently or as part of a London wide lockdown move from the Covid Alert Level tier 2 (high) to tier 3 (very high). The Council has opted to include as part of the process proportionate claim validation checks prior to grant payments being made. This is to ensure the safe administration of grants and that appropriate measures are in place to mitigate against the increased risks of both fraud and payment error. We have been working with Managers from the Exchequers Services and Liberata to ensure that controls within the system are proportionate and effective.
- 3.2.11 Just prior to the release of this report the Government announced that they are providing additional funding to allow Local Authorities (LAs) to support businesses in high-alert level areas which are not legally closed, but which are severely impacted by the restrictions on socialising. The funding LAs will receive will be based on the number of hospitality, hotel, B&B, and leisure businesses in their area. Again we have been working with Managers from the Exchequers Services and Liberata to ensure that controls within the system are robust enough to ensure those in genuine need are assisted within the timescales and that levels of fraud are kept to a minimum.
- 3.2.12 The latest list of outstanding Priority 1 recommendations is shown in Appendix B. There have been some additions since the last meeting of this Committee, and these are detailed below. There has also been some movement in Priority 1 recommendations brought forward and these are detailed below.
- 3.2.13 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.

### 3.2.14 Business Rates

Audit opinion	Substantial
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- 3.2.15 The overall objective of the audit was to review governance and ensure controls are satisfactory to mitigate risk. Coverage and scope was discussed with management, taking account of previous internal audit work and known issues. This replaced the Terms of Reference for the Audit that was underway and suspended when the lockdown due to Covid 19 was introduced. The impact of Covid 19 on the service was considered including the:
- 12 month business rates holiday for all retail, hospitality and leisure businesses in England
  - A 12 month business rates holiday for childcare providers for 2020/21 where premises are wholly or mainly used for the provision of the Early Years Foundation Stage
- 3.2.16 Areas of review included:-
- Collection of business rates are accurate and in a timely manner.
  - Refunds are supported by relevant documentation.
  - Exemptions.
  - Arrears.
  - Monitoring of business rates is undertaken on a regular basis
  - Changes to processes, due to the pandemic have been consistently applied.
- 3.2.17 This review incorporated data from both 2019-20 and 2020-21.

- 3.2.18 From the sample testing undertaken, no issues arose. Changes to processes, due to the pandemic, had been consistently applied. One issue arose regarding the Business Improvement Districts (BID's). It was found that for the BID's for Bromley, Beckenham and Penge these are invoiced via Oracle Financials and not Academy which is the case for Orpington. It was confirmed that each BID area chooses which collection method they would like (either 'Daily Charging' or 'Chargeable Day'). Orpington BID is the only one that uses the 'Daily Charging' method of collection and therefore the Academy System is used instead of Oracle.
- 3.2.19 The BIDs are private organisations and therefore we as a Council do not have any influence over which method they choose. The contracts for the individual BID's are for a fixed term. As a result, no recommendation has been made.
- 3.2.20 It was also found that for the two previous audit recommendations, one had been implemented and the second one was redundant. Therefore, there are no recommendations.

	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	0	0	0

### 3.2.21 Contract Governance and Documentation

Audit opinion	Reasonable
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- 3.2.22 The overall objective of the audit was to review the arrangements and processes in place for governance of contracts and supporting documentation. Our review sought to give assurance that contracts have been signed and sealed by all parties, are retained securely and can be located readily. We also sought to confirm that key documents associated with the contract such as performance bonds and indemnities are retained, available and current.
- 3.2.23 Controls noted to be in place and working well included the availability of signed contracts, including those signed and sealed by the Mayor where appropriate. A Performance Bond or Company Guarantee was evidenced for those contracts where we expected to see one, apart from one instance where the Bond continues to be sought by the Head of Service.
- 3.2.24 Five recommendations have been made to improve the control framework. These relate to arrangements for confirming that contractors have the required type and level of insurance in place and reviewing the current guidance on the uploading of contracts and key supporting documentation, including contract monitoring information to the Contracts Database.
- 3.2.25 We could not see that access to the current versions of the relevant Council policies are made available to contractors.
- 3.2.26 We also identified weaknesses in the arrangements in Legal Services for storing and locating deeds and contracts and have made a recommendation to address these, together with the introduction of a workflow system with electronic signature software for signing contracts.



	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	1	1	0

### 3.2.27 Debtors

Audit opinion	Reasonable
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- 3.2.28 The overall objective of the audit was to review the arrangements in place for oversight and control over debtor activity which impact on the reliability of records, integrity of information and compliance with relevant regulations.
- 3.2.29 Controls noted to be in place and working well included the accurate and timely raising and coding of debtor invoices and credit notes, segregation of duty in raising debts and debt recovery action, with appropriate debt recovery actions subsequently taken in line with the Debt Recovery Policy and Procedure.
- 3.2.30 Appropriate controls were also in place for the authorisation to write-off debts, the undertaking of refund reconciliations and debtor control account reconciliations.
- 3.2.31 We would however like to bring to management attention the following issues:
- 3.2.32 Examination of the spreadsheet used by the exchequer contractor to monitor write offs and their status confirmed there were 40 cases where the write-off was waiting to be signed off by the Director of Finance / Assistant Director, Exchequer Services. Out of the 40 cases, 20 cases were sent over to the Council in 2019.
- 3.2.33 There was one instance in our sample testing where the supporting write-off pack could not be located and justification for the processed write-off could not be verified. This has now been seen and evidenced as correct.
- 3.2.34 Following a request, the auditor was not provided with the details of officers with access to view and amend the Oracle and ASH systems. Details of officers who have access to those systems have now been seen and confirmed as appropriate.
- 3.2.35 Three recommendations were made to improve the control framework. These relate to Management ensuring they can access / produce a report from systems of users able to access the system. Authorised users recorded as having editing rights on Oracle and ASH users should then be reviewed annually. This should be reviewed by management for continued appropriateness and signed off.
- 3.2.36 Management should undertake a monthly spot check of 5% of write offs processed to ensure the relevant write-off pack is retained on file or alternatively, a compensating control could be to undertake an automated data integrity check to highlight where evidence might be missing / fields incomplete, so that appropriate actions can be taken. The results of this check should be reported in the monthly monitoring reports visible to management.

3.2.37 The Council and Liberata management should agree a target time frame in which write-offs should be approved and processed from the date of request, to ensure any such debt is written off in a timely manner. The Council and Liberata should then work to this timeframe and enact an escalation process through the monthly contract monitoring controls in the event of non-compliance. Management have provided a comprehensive response to the recommendations.

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

### 3.2.38 Pension Fund

Audit opinion	Reasonable
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3.2.39 The overall objective of the audit was to review the arrangements and processes in place for governance of the pension fund.

3.2.40 Controls noted to be in place and working well included compliance with the Pension Regulator's Code of Practice on Governance and Administration of the public services pension scheme. The Pensions Investment Sub-Committee has terms of reference setting out its responsibilities for managing investments of the Pension Fund and regular meetings take place and are attended by an advisor from the Council's appointed Pension Fund Advisors.

3.2.41 There is a contract in place for the safe custody of cash and securities (including stock, shares, bonds etc.) and Actuarial Services. A triennial valuation has been completed and the valuation report was presented to the Pensions Investment Sub-Committee in January 2020.

3.2.42 Reports on fund manager performance are provided to the Council each month and Pension Fund overview reports are provided on a quarterly basis. These reports are presented to the Pensions Investment Sub-Committee.

3.2.43 Three recommendations were made to improve the control framework. These relate to the availability of minutes of the most recent meeting of the Pensions Investment Sub-Committee, the review of the Fund Manager Asset Reconciliation and the requirement for the Investment Strategy Statement to state compliance with the Myners Principles for pension fund investment, scheme governance, disclosure and consultation.

	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

### 3.2.44 Street Lighting

Audit opinion	Reasonable
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3.2.45 This audit focused on a review of governance and management of the contract to ensure controls are satisfactory and mitigate risk, that any revised service delivery arrangements put in place in recent months as a result of COVID-19 have appropriate governance arrangements and that the current and future business needs of the service are maintained.

3.2.46 Recommendations to improve the control environment have been made for the following areas:-

3.2.47 The end to end procedure for delivery of the Street Lighting service should be formally documented, and a review undertaken of the training needs/requirements of staff managing/monitoring the contract.

3.2.48 When manually overriding and 'allowing' jobs which the automated reporting identifies as breaching the Low Service Damage indicator criteria, the rationale should be clearly documented and the retained. Documentation in which Low Service Damages are reported should be reviewed, and amended as appropriate, to ensure consistency of 'working day/calendar day' narrative.

3.2.49 Street Lighting jobs are not routinely supported by 'before and 'after' photographs identifying the asset, its location, the date and time. Consideration should be given to obtaining photographic evidence to support works orders and the remeasurement process.

3.2.50 The recommendations have been accepted by management.

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

### 3.2.51 Troubled Families Claim – September 2020

Audit opinion	The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met
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- 3.2.52 The Troubled Families Programme is a programme of targeted intervention for families with multiple problems, including crime, anti-social behaviour, truancy, unemployment, mental health problems and domestic abuse.
- 3.2.53 It is led by the Ministry of Housing, Communities and Local Government, in partnership with the Departments for Education, Health, Work and Pensions and Ministry of Justice. A local authority can claim a results payment if it can demonstrate that an eligible family has achieved significant and sustained progress against all problems identified at the point of engagement and during the intervention or if an adult in the family has moved into continuous employment.
- 3.2.54 In March 2020 the Council achieved both the attachment and payment by results target of 1,700 families for Phase 2. Claims can continue to be made however and therefore we analysed a random sample of the 70 individual claims for the claim period between 1 April 2020 and 30 September 2020. From our testing we found that there was documented evidence to support that the individual claims sampled met the significant and sustained criteria, enabling a claim to be made.
- 3.2.55 We also confirmed that the total amount claimed for payment by results for the 70 individual claims submitted between the period 1 April 2020 and 30 September 2020 was £56,000.

### 3.2.56 Local Transport Revenue Block Funding (Blue Badge New Criteria Implementation) Specific Grant Determination (2019/20): No. 31/3936

Audit opinion	The evidence seen by Internal Audit demonstrates that the grant conditions have been met
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- 3.2.57 On 27<sup>th</sup> January 2020, the Department for Transport confirmed that a 2019/20 Local Transport Revenue Block Funding (Blue Badge New Criteria Implementation) Grant Allocation of £6,585.67 had been awarded to the London Borough of Bromley.
- 3.2.58 The Chief Executive and Chief Internal Auditor of each of the recipient payment authorities were required to sign and return to the Blue Badge Team Leader at the Department for Transport a declaration, no later than 31st July 2020, in the following terms: 'To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to Local Transport Revenue Block Funding (Blue Badge New Criteria Implementation) Specific Grant Determination (2019/20) [31/3936] have been complied with'
- 3.2.59 Based on discussions with officers and a review of the records held, Internal Audit has gained appropriate assurance that the conditions of the grant determination have been met, with the signed declaration submitted on 16th July 2020.

### 3.2.60 Integration and Better Care Fund: the Disabled Facilities Capital Grant (DFG) determination (2019/20): No. 31/3710

Audit opinion	The evidence seen by Internal Audit demonstrates that the grant conditions have been met
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- 3.2.61 In May 2019, the Housing Support Division, Ministry for Housing, Communities and Local Government confirmed, by letter, that a 2019/20 Disabled Facilities Grant Allocation of £2,152,696 had been awarded to the London Borough of Bromley.
- 3.2.62 The Chief Executive or Chief Internal Auditor of each of the recipient payment authorities is required to sign and return to the Housing Support Division of the Ministry for Housing, Communities and Local Government a declaration, to be received no later than 31st October 2020, in the following terms: "To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Disabled Facilities Capital Grant Determination (2019-20) No [31/3170] have been complied with".
- 3.2.63 Based on discussions with officers and a review of the records held, Internal Audit has gained appropriate assurance that the conditions of the grant determination have been met however, within the 2019/20 Financial Year, a spend of £1.591m against the budget was achieved. The remainder has been carried forward and mandatory DFG work, whilst restricted by COVID-19 at the commencement of the 2020/21 financial year, continues, with a further £233k spent during the first quarter.

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

3.3.1 The latest position with regard to the Priority ones are as follows:

#### **3.3.2 Leaving Care Priority 1 update**

- 3.3.3 Members were previously informed that two of the six Priority 1 recommendations identified in the Leaving Care Audit finalised in October 2018 had not been fully implemented. These recommendations related to the reconciliation of grant sheets to the finance records and for the Individual Service User Finance Records to be a comprehensive record of all payments made to that service user.
- 3.3.4 A new process had been implemented from January 2020 and appropriate training undertaken. At the time of the February 2020 update to this Committee, the Finance Monitoring Officer had completed the backdated reconciliations to December 2019 however this did not provide a sample large enough to test and was therefore not undertaken.
- 3.3.5 For the update to the July meeting it was agreed that Internal Audit would not complete testing to measure the progress to implement Priority 1 recommendations given the additional pressures faced by frontline staff during the COVID19 crisis. Management provided an update confirming that the project to backdate and reconcile financial records for each child was still in progress.
- 3.3.6 To evidence progress to implement the two outstanding priority one recommendations management have provided an update and audit testing has been completed. The grant sheets have been replaced by the individual payment and grant record held on Carestore. Supplementary reports have been set up for the department to assist the service these include:-
- CYP Leaving Care Stream Reconciliation per Client
  - CYP Accommodation Support
  - CYP Auto payments
- 3.3.7 The Leaving Care Stream Reconciliation per Client is a Carefirst Business Objects (BOXI) report. ; BOXI being the reporting tool within CareFirst. BOXI reports are used widely by CareFirst users including the Finance, Commissioning and Performance teams.

- 3.3.8 The sample testing of 5 individual cases undertaken in October 2020 was satisfactory and evidenced that the two outstanding recommendations relating to the financial records for Leaving Care clients have been implemented and can now be closed.
- 3.3.9 Strategic Property – Priority 1 update**
- 3.3.10 At the previous meeting Members were informed that the Director of Housing, Planning, Property and Regeneration would be reporting to the Executive in July that the contract with the Contractor to deliver the Strategic Property function would be terminated. Members are referred to that report setting out the timetable for ending the current contractual arrangements.
- 3.3.11 For this meeting the Director of Housing, Planning and Regeneration confirmed that the contract with Facilities Services Contractor would be continuing for 12 months but reduced to the Facilities Management function only. The Strategic Property element will be brought back in house and market testing is being undertaken to identify how the Authority can effectively manage our portfolio and investments.
- 3.3.12 The original Priority1 recommendation related to the validation and monitoring of £1m Income Generation Plan. The Assistant Director, Strategic Property attended this Committee in February 2020 to update on the achieved savings and advised Members that the £1m target would not be achieved. The priority 1 recommendation had remained open as the contractual arrangements with the Contractor were under review but now the termination has been agreed this Priority 1 can be closed.
- 3.3.13 No Recourse to Public Funds – Priority 1 update**
- 3.3.14 The audit review of NRPF within Children’s Services finalised in July 2019 identified one priority 1 recommendation relating to the procurement, contractual arrangements and cost of accommodation. Following the audit, the Department liaised with Housing colleagues to provide accommodation options and for the NRPF Team to complete the booking and formalise the accommodation for each family.
- 3.3.15 At previous meetings Members were informed that the NRPF had implemented the recommendations however the new procedures and reassigned task for the team to create service agreements on CareFirst would need time to be embedded and tested. For the previous meeting in July the follow up testing had shown that the information shown on CareFirst did not relate to actual service delivery as there had been a delay in setting up and authorising service agreements for two new clients.
- 3.3.16 For this update the CareFirst report generated and issued to the Head of Service on the 2.9.2020 was compared to the information held on the NRPF records. There were 4 families shown on CareFirst as receiving support for accommodation; 5 families were shown as current on the locally held records. The difference was satisfactorily explained by the time delay in authorising the service level agreement. The Referral and Assessment Business Support Officer (BSO) confirmed that agreed procedures were working well and there was access to advice and support from the Placements Coordinator, Central Placements Team.
- 3.3.17 The priority 1 recommendation was concerned with the non-compliance to Contract Procedure Rules to procure accommodation, the use of a single Housing provider with no contractual arrangements in place and no oversight of cost and value for money. All these findings were remedied in the first follow up review for the February 2020 Committee but ongoing changes to procedure and issues with timing and accuracy of information reported on CareFirst necessitated the priority 1 recommendation to remain open. These issues have been resolved and the recommendation considered fully implemented.

### 3.3.18 Starters and Leavers – Priority 1 update

- 3.3.19 The audit review of Starters and Leavers finalised in September 2019 reported 1 priority 1 recommendation relating to the notification process for managers to inform IT and other **relevant** departments of staff leaving the Authority. The responsibility to implement was shared between IT and HR. The Head of ISD and Head of Information Management undertook to progress an IT solution incorporated in the new version of Sharepoint to be rolled out in 2020. The Head of HRIS and Reward agreed to look at and improve the interim processes when an officer leaves the Council and the notifications to the relevant Departments. It was also agreed that HR would issue a reminder to Managers Briefing about the leavers process. This would include a reminder to all Directors and Heads of Service to reconcile EBM information regularly.
- 3.3.20 The update for the July Committee confirmed that the IT solution was to introduce a leaver form. A provider had been engaged to make the necessary changes and the project due to start on the 16<sup>th</sup> June but would also be dependent on the wider Information Management Transformation project. IT confirmed that a monthly report was received from HR and stored on the shared area for the BT Desktop Team to access. This control document should ensure timely action to disable the user account whilst the online leaver form point on SharePoint is developed and activated. It is acknowledged that this check by BT is not part of the formal scope of services and does not replace the requirement for the responsible line manager to complete the workforce amendment form as this sets out access preferences once an account is disabled.
- 3.3.21 For the update to this Committee and to test the interim procedures to notify IT and appropriate departments of all leavers, HR were asked to generate reports to show LBB and agency officers who have left the Authority since April 2020. A sample of 10 LBB officers was selected from a total of 46 leavers and similarly 10 agency officers selected from 92. The sample was selected from all divisions to gauge managers compliance to the agreed leavers procedure. The primary objective was to establish if the officers account had been disabled when they left the Authority; the BT Operational Team confirmed the status of each account as at 23 and 28 September. Internal Audit checked the sample to both Outlook and Skype to establish information displayed and phoned the respective line managers to discuss how the leaving process was followed specifically the collection of laptops, LBB equipment and the security pass.
- 3.3.22 For the LBB officers, 8/10 cases checked still had an active account – 1 was confirmed as still working for Bromley on a temporary contract but for 7 the workforce amendment form had not been completed. For 7/10 agency workers checked they still had an active account – 5 had been transferred to new engagements and currently working for the Authority but for 2 agency staff a work force amendment had not been done, both managers had assumed that the account would be disabled when the contract to engage the agency worker ended. The IT Contract and Operations Manager confirmed that she would be discussing the audit findings with the BT Operations Team to establish why the ‘safety net’ check had not identified these outstanding accounts.
- 3.3.23 For the check on physical items the results for the sample of 20 leavers were positive, in all cases the managers had retrieved laptops, mobiles and where appropriate LBB equipment. The security ID pass had not been collected in all cases and management will need to be advised of the need to either have the pass returned to be destroyed or to have assurance that the officer has destroyed the pass.
- 3.3.24 The results have been discussed with both HR and IT colleagues to facilitate change and support the review of leavers process prior to transfer to the new online leavers form.

- 3.3.25 Looking forward to the implementation of the new online process the Head of Information Management confirmed that *“the project to implement an online Starter, Mover and Leaver form is progressing well. The forms are actively being created and the new process and training for System Administrators is being produced. The project anticipates being in a position to commence user acceptance by 26<sup>th</sup> October with roll out towards the end of November 2020.”*
- 3.3.26 The current system relies on the manager completing the workforce amendment form to alert the IT contractor to disable the account. When the new process is rolled out the starting point will be the online form to be distributed to all appropriate departments primarily HR, payroll and IT but also Facilities Management for access and parking and Finance for Procurement card and authorised signatories.
- 3.3.27 The audit testing this cycle identified that managers had not completed the work force amendment in a timely manner to disable accounts. Following discussion at CLT on the 20/10/20 the Chief Executive directed that a list of all leavers be sent to each Directorate and advised that the leavers process must be completed by 23/10/20; IT would disable all accounts still active for leavers after this deadline.
- 3.3.28 At this time the Priority 1 recommendation will remain open. The next update to this Committee will be post implementation of the new leavers form and identified weaknesses in the current system remedied.

### **3.3.29 Highways Maintenance – Priority 1 update**

- 3.3.30 At the previous meeting Members were informed of the progress to implement 3 priority 1 recommendations relating to the selection process of highways schemes for major works programme, management of the delivery of agreed highways schemes and controls on reconstruction and widening of vehicle crossovers as part of footway schemes.
- 3.3.31 For the July update Internal Audit acknowledged that management had submitted three process documents to evidence implementation of two of the priority 1 recommendations that related to the need for written procedures. However, management were advised that these procedures would need to be embedded before effective testing by Internal Audit.
- 3.3.32 For update to this Committee the recommendation relating to the selection of schemes is considered closed; Management have satisfactorily evidenced implementation.
- 3.3.33 For the two recommendations relating to carriage repairs and footway schemes Internal Audit are currently reviewing a sample of cases and will report to Committee at the meeting.

### **3.3.34 Business Continuity and Emergency Planning – Priority 1 update**

- 3.3.35 At the previous meeting in July Members were informed that given the direct impact of the current crisis for the lead officer responsible for Business Continuity and Emergency Planning the follow up and update on the progress to implement the outstanding priority 1 recommendation would be considered for the November meeting.
- 3.3.36 The outstanding priority 1 recommendation related to the testing and exercising of the Business Continuity (BC) plans. The COVID-19 crisis interrupted the testing programme however the Emergency Planning and Corporate Resilience Lead (EP&CRL) set out a series of initiatives and actions that evidence that the recommendation has been implemented.
- 3.3.37 The EP&CRL set out four areas to evidence implementation his comments are set out in the sections below: -



- **Command and Control**  
An integral part of the BC management procedures revolve around the setting up of an incident command structure to effectively manage the BC situation to a conclusion. The strategic, tactical and operational roles are well understood by the Directors who have received strategic command and control training. Since the end of last year our Directors have maintained an on call Strategic lead (Gold) for business continuity and emergency planning incidents via a weekly on call roster, further increasing our capability and capacity to respond. The recent server issues experienced in July 2020 successfully tested this command and control initiative.
- **The use of BC plans during a live incident**  
The server incident evidenced all Directorates use their BC plans. Staff were informed of the situation using the documented communications cascade system and arrangements were put in place following the guidance within the plans relating to an IT failure. Following the incident plan holders updated their plans where required. This live incident provided a much more effective test for our plans, increased staff awareness and gave managers confidence and experience in using their plans.
- **COVID-19**  
The pandemic presented an excellent opportunity to live test our BC planning. The actions taken following denial of site access to continue our operations is a key component of our BC plans. Once the lock down was announced over 1400 staff began to work from home. The vast majority continue to do so. Our IT infrastructure has delivered a stable platform for this to take place and organisationally we have continued to deliver services to residents. This live ‘test’, which has been ongoing now for six months proves the BC capabilities of our systems and staff. The pandemic has also enabled contract owners to review the BC plans of our major suppliers to fully understand their plans and capabilities.
- **Second Wave Preparations**  
By utilising the work previously completed identifying priority services, Directors have put together a process to draw in staff to assist in a second wave scenario from Priority 4 and Priority 3 services, depending on need. This approach will ensure that the highest priority services are maintained, with capability and capacity available to manage identified second wave requirements. The prioritisation of service delivery is a key component to the BC management plan, designed to be used in this very situation.

3.3.38 The application of BC plans during a live incident from start to finish and the ongoing challenges of COVID-19 with a potential second wave and demands on resources has evidenced satisfactory implementation of the outstanding priority 1 recommendation and the need to test and exercise BC plans. The Priority 1 recommendation is now closed.

### **3.3.39 Schools Finance Team – Priority 1 update**

3.3.40 The Internal Audit review of the Schools Finance Team identified one priority 1 finding relating to the contract management of the Service Level Agreement for the Contractor to deliver the service.

3.3.41 As the contract owner, the Head of Finance, Children, Education and Families addressed the issues raised in the audit report by formalising the monthly monitoring meetings held with the

Contractor Service Lead. The minutes of these meetings have been issued to and agreed with the Contractor; KPIs are considered on an exception basis with action to be taken, assigned to either LBB or the Contractor's officers.

3.3.42 The minutes for March and September were satisfactorily reviewed giving an adequate level of detail to support discussion and outcome. It was accepted that the minutes for the summer months were less formal but had been impacted by the resource pressures and change in priorities as a result of Covid19 and that the schools had been closed during lockdown; July and August are also quiet months for an Education based service.

3.3.43 The audit report had highlighted a potential risk as the Head of SFT retired in January and at the time of the Internal Audit report the post had not been filled. The contractor successfully recruited to the position and the officer has been in post since January 2020.

3.3.44 The Priority 1 recommendation is considered closed.

### **3.3.45 Procurement Cards – Priority 1 update**

3.3.46 The audit review of purchase cards carried out at the end of 2019 resulted in three Priority 1 recommendations being made. One recommendation was that the responsibility and accountability of those teams and individuals involved in the different tasks or objectives of the purchase card system should be clarified and agreed.

3.3.47 Recommendations were also made to address two other issues. One of these related to the processing and approval of outstanding purchase card transactions, with system reports run later by management to check that these had been cleared. The other recommendation was for card holders to complete correctly the VAT field for transactions which they input to the purchase cards system and to upload a valid VAT invoice to support any VAT claimed.

3.3.48 We are carrying out another purchase card audit in the coming weeks and will check, as part of our testing, that these three Priority 1 recommendations have been implemented.

### **3.3.49 Tax and National Insurance Issues arising from the Procurement Card Audit – Priority 1 update**

3.3.50 The audit review of purchase cards carried out at the end of 2019 identified two Priority 1 recommendations relating to the tax and National Insurance Contribution arrangements for items purchased using the cards.

3.3.51 The recommendations were that advice should be sought regarding the payment of tax and NIC by the Council to HMRC for gifts and meals purchased during the last tax year by officers using purchase cards and merit award payments to third parties. Following publication of the audit report, HR engaged their advisors on tax issues and they liaised with HMRC on the Council's behalf. Consequently, HMRC decided not to pursue the tax liability for the transactions identified during the audit, as they amounted to a relatively small amount. Taxed Award Scheme forms for the merit awards made for the year ended 5 April 2020 and the previous years have now been completed and submitted to HMRC.

3.3.52 These issues have therefore been resolved and the recommendations are considered fully implemented.

### **3.3.53 St Olaves School (Priority 1 update)**

3.3.54 At the previous meeting Members were informed that two priority 1 recommendations had been raised following the audit review of St Olaves Grammar School. The first finding related to the expenditure process; non-compliance to Financial Regulations, poor project

management and lack of financial control had been identified for the project to redevelop and refurbish the Headmasters House to create office and conference accommodation. The second finding related to Financial Management, several issues had been identified including cash flow, Governor sign off for the 2019/20 budget and information passed to the Finance Manager to allow timely and accurate update to the Financial Management System.

- 3.3.55 There is a planned audit of the school at the end of the Autumn Term which will follow up all previous recommendations and complete further testing on both expenditure and financial management. To comply with Government guidelines during this current COVID19 crisis the auditors will not be attending the school but will liaise with the School Finance Manager to make available the documents required for audit review.
- 3.3.56 To provide an update for this Committee the school have been asked to provide evidence to support implementation and progress to implement elements of the two priority one recommendations. It is acknowledged that the school have had significant challenges in the 8 months since the audit report was finalised; COVID19 and the impact of lockdown then reopening the school to be COVID compliant and that the SBM position has been vacant since the previous holder left the school with effect from April. Both factors have necessitated a change in procedures and an increased workload for the Finance Manager to cover two roles. To evidence an adequate separation of duties, the Clerk of Governors (CEO of the Foundation) and a qualified accountant has attended the school one day a week since September to offer financial support at a strategic level. The Chair of Finance has also liaised and met with the Headteacher, the Clerk of Governors and Finance Manager to scrutinise and challenge the finance function.
- 3.3.57 For the expenditure process the Finance Manager confirmed that since the Internal Audit report the school have not undertaken to project manage any major projects. The construction of the Fives Court has been project managed by the company previously used by the school. It was previously raised that the school should consider the cumulative spend with this company to ensure compliance to Financial Regulations and is noted that Governors of the Finance Committee have minuted that the service provided by this company needs to be retendered. The audit review had identified examples where a waiver should have been used to support a decision and although this has not yet been required the Finance Manager confirmed that a waiver process has been agreed and will be applied when appropriate. A sample of 5 payments was selected for audit examination but there has not been adequate time for the supporting documentation to be collated and scanned and will therefore be part of the main audit later this term.
- 3.3.58 The school have engaged with the Local Authority to seek advice and guidance; from the Head of Procurement, to retender key contracts in the school and from Internal Audit, short term changes to the payment process imposed by availability of officers during lockdown.
- 3.3.59 For the financial management finding, documents have been submitted to support progress to implement. The 2020/21 final budget was signed by Chair of Governors, the Income and Expenditure report dated 30.9.20 confirmed a balanced budget with £250K reserves. The school have improved the processes to control and manage cash flow, formalising the drawdown of funds from the Foundation and ensuring that the overdrawn incident in October 2019 is not repeated. The Management Accounts will be presented to the Finance Committee on the 21<sup>st</sup> October, this report and minuted discussion will be reviewed during the full audit.
- 3.3.60 Given the issues currently faced by the school it was agreed with the Headteacher that this update would be a progress report, the full audit will allow adequate testing to give assurance that all issues have been addressed. Both P1 recommendations will therefore remain open at

this time, however it is acknowledged that the school have evidenced and implemented elements of both P1 recommendations.

**3.4 Publication of Internal Audit Reports**

3.4.1 Since the last cycle of this Committee, we have published 8 redacted final reports, listed in the table below. At the request of Members of this Committee, we have included the audit opinion given to each audit.

AUDIT	OPINION
Business Rates	Substantial
Contract Governance and Documentation	Reasonable
Debtors	Reasonable
Pension Fund	Reasonable
Street Lighting	Reasonable
Troubled Families Claim	The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met
Local Transport Revenue Block Funding (Blue Badge New Criteria Implementation) Specific Grant Determination (2019/20): No. 31/3936	The evidence seen by Internal Audit demonstrates that the grant conditions have been met
Integration and Better Care Fund: the Disabled Facilities Capital Grant (DFG) determination (2019/20): No. 31/3710	The evidence seen by Internal Audit demonstrates that the grant conditions have been met

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

Assurance Level	Definition
Substantial Assurance	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.
Reasonable Assurance	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.
Limited Assurance	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.
No Assurance	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.

### 3.4.3 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 The Corporate Risk Management Group met virtually on 25<sup>th</sup> September 2020 and the current risk registers are attached at Appendices C1 to C9. Since the last Audit Sub Committee meeting in July, the 'Cause, Effect, Control and Action' elements of the Corporate 'Impact on COVID-19 pandemic on service delivery' risk have all been refreshed.

## 3.6 Waivers (Appendix D)

3.6.1 Members of this Committee took the decision to only report on waivers sought under the Contract Procedure Rules 3 and 13.1 and to therefore exclude specific exemptions provided to officers under the Council's Scheme of Delegation which relate to social care placements. As required by the Contract Procedure Rules (CPR) this Committee has to be updated on waivers sought across the Authority at six monthly intervals.

3.6.2 The Assistant Director Governance and Contracts (AD G&C) has written and issued a series of practice notes related to the information and actions stipulated by the Contract Procedure Rules. Practice note 1 issued to all contract owners included a section on waivers:-

3.6.3 *Waivers (extensions, variations, exemptions) – Contract Owners need to report these to Audit Sub bi-annually where they are over £50k. Make sure you are recording these so you can pass the information to Internal Audit upon request, who then make the report to Audit Sub on your behalf.*

3.6.4 The waivers reported should include all exemptions, extensions and variations as defined in 13.1 of Contract Procedure Rules with reference to 3.1, 3.5.5 and 23.7.

3.6.5 For this committee cycle the Assistant Director Governance and Contracts (AD G&C) generated a report from the Contract Database to identify contracts that met the criteria for the period April 2020 to September 2020. This information has been checked to the database, supporting documentation and Gateway reports to upload to the standard template shown at Appendix C. The cumulative and annual values have been replaced by the financial information available in the relevant documentation this time.

- 3.6.6 In a report to the Executive through the Leader in April 2020, the AD G&C sought authorisation to take appropriate procurement action due to the impact of the COVID-19 pandemic.
- 3.6.7 The report set out short to medium term measures including variations as appropriate for provider financial support and sustainability and, where necessary, direct award of contracts without competitive tender due to reasons of urgency. Addressing the longer term, the report noted the Council will need to take suitable procurement action for contracts due to end over the next 18 months where retender processes may not be feasible at this time or may be delayed. In practice this will most often mean extending the contract beyond term using Regulation 72 of the Public Contract Regulations.
- 3.6.8 It was agreed that appropriate procurement action, prompted by the unforeseeable emergency involving disruption to Council services, would be delegated to Chief Officer level, with agreement from the Directors of Finance and Corporate Services and the relevant Portfolio Holder (where otherwise it would have been a Portfolio Holder decision). The delegated authority was put in place for six months from April 2020. The period elapsed at the end of September 2020.
- 3.6.9 The Leader's decision dated and implemented on the 24/4/2020 stated:-
- 3.6.10 *"That delegated authority be granted to chief officers to take appropriate procurement action to manage contracts during and after the current public health measures for six months from 1st April 2020, and specific action to support the sustainability of Adult Social Care Providers be authorised for a period of three months from 1st April 2020."*
- 3.6.11 Members are asked to review this list and comment as necessary, preferably prior to the meeting so that officers can extract the details on queried waivers.

### **3.7 External Audit Update**

#### **3.7.1 Progress and Update on the 2018/19 accounts:**

The 2018/19 accounts were signed (with an unqualified opinion) by EY on 13<sup>th</sup> August and have been published on the Council's website. The VfM opinion and Audit Certificate remain outstanding as we have the outstanding objections from 2016/17, 2017/18 and 2018/19.

#### **3.7.2 Progress and Update on the 2019/20 accounts:**

The 2019/20 draft accounts were published (and made available for public inspection) on 30<sup>th</sup> June. The audit of the main accounts and pension fund started during August and is ongoing. The deadline for sign-off and publication is 30<sup>th</sup> November; with this in mind we have suggested a GP&L meeting takes place on 25<sup>th</sup> November to receive a report on the results of the audit. As noted above, the VfM work will remain in abeyance until work on the objections has been completed.

#### **3.7.3 Update on Electors Objections:**

As noted, we have objections outstanding for 3 years of account. We have received no objections in relation to 2019/20 and the inspection period is now closed. For the 2016/17 and 2017/18 objections, we have spoken to KPMG and meetings are being arranged to progress matters – we anticipate that these will take place during October/November. Once KPMG has concluded its work, EY will look at the 2018/19 objection, informed by the conclusions that KPMG has made.

### 3.7.4 Audit Fees

Whilst our external auditor, EY, has produced an audit plan for 2019/20, though the audit fee has yet to be agreed. PSAA has set a fee of £91,689, whilst EY has proposed a fee of £188,271. The Director of Finance has asked PSAA to facilitate a meeting on this matter with EY, which it is hoped will lead to agreement on a revised fee.

## 3.8 Financial Regulations 2020 (Appendix E) – Summary of the Main Changes

3.8.1 Internal Audit has undertaken a review of Corporate and School's Financial Regulations. They needed to be updated not only to reflect changes relating to schools and other areas as well as reflect latest departmental structures and responsibilities.

3.8.2 Internal Audit have consulted with colleagues in Finance, Legal, HR, Strategic Property and Information Systems and there was also consultation with the Corporate Leadership Team and Corporate Risk Management Group to finalise the draft document.

3.8.3 Where necessary and advised by the appropriate officer, references to current legislation have been updated. Similarly, references to reporting frequencies, authorisation limits and terminology have been updated.

3.8.4 Where possible, lengthy descriptive passages have been replaced by links to policy documents held on OneBromley with the contact officer charged with the responsibility to update to ensure information is current.

3.8.5 The main changes to the Corporate Financial Regulations can be summarised as follows:-

### **Section 5 - Authorisation Limits**

3.8.6 Heads of Service have been added as having the same approval limits as an Assistant Director.

### **Section 18 - Land and Property**

3.8.7 The Assistant Director, Strategic Property, has provided a revision of this section to reflect the recent move to the adoption of the Corporate Landlord approach. Section 18.11 specifies the need for the Insurance Manager to be informed of any changes to the properties held by the Council to ensure the Insurance schedules are accurate.

### **Section 22 - Information Systems**

3.8.8 The Head of Information Management provided the update to include two new sections – *“All officers are responsible for ensuring the accuracy and integrity of any information input and stored within the Council's financial and management information systems”* and that, *“Chief Officers shall be responsible for ensuring that they and their staff comply with the Council's IT Security Policy & Guidelines and the Data Protection”*.

### **Appendices**

3.8.9 The Protocols and Supplementary Information has been replaced with numbered Appendices.

3.8.10 Appendix 2 – Retention of Documents – Update provided by the Information Architect and System Analyst – Service specific sections and tables of guidance removed and replaced with a link to the Corporate Retention Schedule.

3.8.11 Code of Conduct – Gifts and Hospitality has been removed from the appendices - the Gift & Hospitality policy used by HR has been inserted via a link within section 23 of the Financial Procedures.

3.8.12 Appendix 5- Late Payments of Debts has been added.

### **3.8.13 Financial Regulations for Schools 2020 (Appendix F) - Summary of the Main Changes**

3.8.14 An administrative update of the Regulations was issued to all Bromley Maintained Schools in February updating contact names, change in job titles, EU financial thresholds and notice periods and to remove and replace out of date information.

3.8.15 They have now been reviewed in line with the Corporate Financial Regulations for more substantive changes, which can be summarised as follows:-

#### **Section 3.7 Raising Concerns in Schools**

3.8.16 This section had previously referred to Appendix 2 “Procedures for Raising Concerns in Schools”. This appendix has been removed and section 3.7 now refers to the Corporate Raising Concerns (Whistleblowing) Policy; a hard copy will be issued with these Regulations. The Director of Education and the Liberata Schools’ Team would be the first point of contact for guidance and the Council’s Human Resources Division would also be able to offer advice.

#### **Section 5 - Orders for Goods, Works and Services**

3.8.17 The procedure to be followed will be determined by the estimate of the cost of the required goods or services. The procedures would now be in line with the Corporate Contract Procedure Rules. The main change for the schools will be that tendering is now required for expenditure over £100K and three written quotes are required for expenditure between £5K and £100K.

#### **Section 6 - Contracts**

3.8.18 This section has been replaced by the Corporate Contract Procedure Rules that will be issued with these Regulations. It should be noted that the Council’s Procurement Team will be the point of contact to offer advice and guidance but the responsibility for all procurement will be with the school.

#### **Section 7.6.1 - Purchasing on the Internet with Approved Cards**

3.8.19 The Regulations now specifies that the Royal Bank of Scotland is the approved provider.

#### **Section 21 - Retention of Documents**

3.8.20 This section was supported by appendix 11; this has been removed. The Director has determined that the Financial, Payroll and Pension records should be kept in line with the Information and Records Management Society of the UK “School’s Toolkit”.

#### **Appendices**

3.8.21 Appendices 4, 8, 12,13 and 14 were removed from the Regulations issued in February, appendices 2 (Raising Concerns in Schools) and 11(Retention of Documents) have also been removed.

3.8.22 The remaining 7 appendices have been renumbered in the document and updated. All sections and appendices detailed on the contents page are hyperlinked to the relevant page.

## **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

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# Internal Audit COVID Recovery Audit Plan

## DRAFT

(V7 Oct-12)

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## 1. Phase 1 – COVID-19 Response and Recovery

### Audit Areas/Titles

Checking of transactions to confirm compliance with established systems and/or government grant schemes:-

1. COVID-19 grant - Funding for small and medium business grants (for business rate payers only) - £52.5m (Assurance work/Advisory work/Government reporting/Fraud Risk Assessment)
2. COVID-19 grant - Discretionary business grant - Funding of £2.4m from above (within £52.5m) has been diverted to support this. (Assurance work/Advisory work/Government reporting/Fraud Risk Assessment)
3. COVID 19 – Support and advice. Redeployment of staff to shielding team, advice and service support e.g. business and discretionary grants.
4. High level review of key areas of risk to examine the Council’s response to the COVID-19 pandemic.
5. Ad hoc advisory support - New processes/controls/projects in response to the COVID-19 emergency
6. Recovery Programme - Advisory support to validate any decisions to Retain / Reinvent / Restore services
7. Completion of prior year audits

## 2. Phase 2 – Priority Audits

Prior to the COVID-19 emergency, a 2020/21 internal audit plan had been agreed at Audit Sub Committee. Section 2.1 to 2.4 details the key audits from that plan which we anticipate will be the focus once ‘business as usual’ services have resumed. These reviews will be started as early as is feasible, subject to the COVID-19 response work being completed. The plan will be revisited on a monthly basis throughout the year to ensure that any audits are still appropriate as the situation evolves, in particular depending on how services develop during the ‘Recovery’ phase. The Audit Committee will be updated at each Committee Meeting as to any changes to the plan being delivered.

The audits that were considered less of a priority at this stage have been provisionally deferred to 2021/22, although these will also be revisited towards year end to confirm whether they still remain a priority for internal audit resources.

## 2.1 Corporate

Audit Title	Audit Code	Revised Days	Comment
Provision for any additional grant work		10	Added
Information Governance and General Data Protection Regulations (GDPR) (To focus on flexible working arrangements during the pandemic)	CORP/01/202	10	Retained
National Fraud Initiative 2020, including data upload and new data sets		25	Retained
Follow up and implementation of high priority (P1/P2) recommendations		20	Retained - reduced days
Provision of training		5	Retained - reduced days
External liaison with other authorities and agencies		5	Retained - reduced days
Audit Report and Internal Audit Plan		5	Annual report completed
Risk Management		20	Retained - reduced days
Annual Governance Statement		10	Retained - reduced days
Corporate Services - Contingency allowance for advice, guidance and provision for assurance work on emerging risk		5	Retained - reduced days
Provision for investigations and irregularities		30	Retained

<b>Corporate Total</b>	<b>145</b>
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## 2.2 Chief Executive's

Audit Title	Audit Code	Revised Days	Comment
Pension Fund	CEX/05/2019/AU	8	From 2019 audit plan - Retained
Debtors	CEX/07/2019/AU	10	From 2019 audit plan - Retained
Business Rates (Including business rates holiday due to COVID-19)	CEX/10/2019/AU	10	From 2019 audit plan - Retained
Post implementation review of action taken during COVID-19 pandemic to support providers of Council services in compliance with PPN 02/20 and with PPN 01/20	CEX/UN/01/2020	15	Added
Health & Safety - Review of COVID-19 risk assessment and arrangements	CEX/UN/02/2020	10	Added
COVID-19 grant - Funding for small and medium business grants (for business rate payers only) - £52.5m	CEX/Grant/01	15	Added
COVID-19 grant - Discretionary business grant - Funding of £2.4m from above (within £52.5m) has been diverted to support this.	CEX/Grant/02	10	Added
COVID-19 grant – Post Event Assurance Plan for business grants. Further checks required to discover any previously unidentified cases of fraud, error and non-compliance	CEX/Grant/03	10	Added
COVID-19 grant – Self-isolation payment scheme	CEX/Grant/04	10	Added

COVID-19 grant – Lockdown payments business support grant	CEX/Grant/05	15	Added
Creditors sample check of payments made/operation of controls during lockdown procedures and following up recommendations made in previous audit	CEX/04/2020	10	Retained
IT Asset Register	CEX/02/2020	10	Retained
Housing Benefit	CEX/05/2020	10	Retained - reduced days
Procurement Cards sample check of payments made/operation of controls during lockdown procedures and following up recommendations made in previous audit	CEX/06/2020	10	Retained
Finance - Contingency allowance for advice, guidance and provision for assurance work on emerging risk		10	Retained - reduced days
Payroll - Expenses, allowances and overtime and controls in place to record and process tax including benefits in kind and reporting to HMRC	CEX/09/2020	15	Retained
HR and CS - Contingency allowance for advice, guidance and provision for assurance work on emerging risk		5	Retained - reduced days
<b>Chief Executive's Total</b>		<b>148</b>	



## 2.3 People

Audit Title	Audit Code	Revised Days	Comment
Appointeeship and Deputyship	ECHS/06/2019/AU	15	From 2019 audit plan - Retained
Blue Badge Scheme operation and grant certification	PEO/01/2020	15	Retained
Learning Disability Supported Living Schemes	PEO/03/2020	10	Retained - reduced days
Discharge to Assess	PEO/04/2020	15	Retained
Adult Services - Contingency allowance for advice, guidance and provision for assurance work on emerging risk		5	Retained - reduced days
Troubled Families Claim	PEO/08/2020	12	Retained
Marjorie McClure Special School	PEO/10/2020	4	Retained
Poverest Primary School	PEO/11/2020	4	Retained
Downe Primary School	PEO/12/2020	4	Retained
St Olaves Grammar School (Risk and control advice and following up recommendations made in previous audit )	PEO/13/2020	6	Retained
Social Care Management System replacement (Risk & control advice)	PEO/17/2020	5	Retained
Children's Services - Contingency allowance for advice, guidance and provision for assurance work on emerging risk		5	Retained - reduced days

COVID-19 grant - Test and Trace - £1,369,923 Grant Certification	PEO/Grant/03	10	Added
Public Health - Contingency allowance for advice, guidance and provision for assurance work on emerging risk	PEO/19/2020	5	Retained - reduced days
<b>People Total</b>		<b>135</b>	

## 2.4 Place

Audit Title	Audit Code	Revised Days	Comment
Section 106 contributions	ECS/07/2019/AU	10	From 2019 audit plan - Retained
Street lighting	ECS/01/2019/AU	10	From 2019 audit plan - Retained
Mortuary	PLA/03/2020	10	Retained
Contract Monitoring Environmental Services Contracts	PLA/05/2020	15	Retained
Environment and Public Protection - Contingency allowance for advice, guidance and provision for assurance work on emerging risk		10	Retained - reduced days
Housing Needs Early intervention & advice	PLA/07/2020	10	Retained
Integration and Better Care Fund: The Disabled Facilities Capital Grant (DFG) determination	PLA/08/2020	5	Retained
Housing, Planning and Regeneration - Contingency allowance for advice, guidance and provision for assurance work on emerging risk		10	Retained - reduced days
<b>Place Total</b>		<b>95</b>	

<b>Internal Audit COVID Recovery Audit Plan TOTAL</b>	<b>523</b>	
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### 3. Deferred to 2021/22

If any task from the Audit Plan in Section 2 is unable to be carried out, it will be replaced with one of the Audits detailed in Section 3 below. If progress is better than planned audits will be brought forward from this list. Progress will be reported at Audit Sub Committee meetings.

#### 3.1 Corporate

	<b>Audit Title</b>	<b>Audit Code</b>	<b>Days</b>
	Internal Audit External Quality Assessment		10
	FOI & Subject Access Requests	CORP/02/2020	15
	Tax arrangement risk assessment following introduction of the Criminal Finances Act	CORP/03/2020	10

### 3.2 Chief Executive's

	Audit Title	Audit Code	Days
	Delivery of ICT Strategy	CEX/01/2020	15
	Insurance Arrangements in commissioned and contracted out services	CEX/03/2020	10
	Imprest Accounts and Petty Cash	CEX/07/2020	10
	Value Added Tax	CEX/08/2020	15
	Merit Reward Scheme	CEX/10/2020	10
	Essential Car Users Scheme	CEX/11/2020	10

### 3.3 People

	Audit Title	Audit Code	Days
	Mental Health Service Agreements and Section 117	ECHS/04/2019/AU	15
	Financial Assessments	PEO/02/2020	20
	Direct Payment Pre Paid Cards Adults	PEO/05/2020	10
	Deprivation of Liberty (DOLS)	PEO/06/2020	15
	Virtual School	PEO/07/2020	15
	Pre- Paid Cards Children	PEO/09/2020	10
	SEND Reforms	PEO/14/2020	20
	Adult Education	PEO/15/2020	15
	Schools Admissions	PEO/16/2020	15
	0-19 Public Health Nursing Service	PEO/18/2020	10

### 3.4 Place

	Audit Title	Audit Code	Days
	Dogs and Pest Contract	PLA/02/2020	10
	Drainage cleaning	PLA/04/2020	12
	Planning process	PLA/09/2020	15
	Temporary Accommodation and Housing Rents	PLA/06/2020	15
	Building Control	PLA/10/2020	15
	Commercial and non-office owned Property	PLA/11/2020	15

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Priority 1 list - November 2020

Appendix B

Report Number/Date	Title	Opinion	No. of Priority Ones	Details of original Recommendation	Responsible Officer	Lead Officer	Comments
CEX/13/09/2019 Finalised 30th September 2019	Review of Starters and Leavers	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	See Progress Reports for October 2019, February 2020, July 2020 and November 2020
ECS/2/2018/AU Finalised 2nd October 2019	Review of Highways Maintenance	Limited	3 2o/s	1) 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. 2) 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	See Progress Reports October 2019, February 2020, July 2020 and November 2020
CEX/11/2019/AU Finalised 14th January 2020	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	July 2020 See Progress Report  November 2020 See Progress Report

P009177

Report Number/Date	Title	Opinion	No. of Priority Ones	Details of original Recommendation	Responsible Officer	Lead Officer	Comments
<b>ECHS/10/2019/AU</b>  <b>Finalised 27th February 2020</b>	<b>Review of St Olaves School</b>	Limited	2	1) Processes around project management and spend identified non-compliance to Financial Regulations and poor financial control. Improvements to the expenditure and procurement processes and for project management were recommended. 2) Improvements to the financial management and governance at the school were recommended including timely financial reporting, financial planning and a financial strategy to meet budget pressures in this year and forthcoming years.	Head Teacher	Head Teacher School Business Manager	July 2020 See Progress Report  November 2020 See Progress Report
<b>CEX/03/2018/AU</b>  <b>Finalised 29th May 2020</b>	<b>Review of Controls to Mitigate the Risk of ICT System Failures</b>	Limited	1	Management should ensure that :- -The replacement of the electrical mains and generator control is completed by the TFM contractor as soon as possible - A review of the process to escalate outstanding job requests to Amey in a timely and formal manner is undertaken -The roles and responsibilities with regard to the electrical supply on the Civic Centre site and the need to mitigate the risk of system failure and loss of data is clarified.	Director of Corporate Services	Head of Information System Services Senior Property Manager	July 2020 See Part II Report  November 2020 See Part II Report

Report Number/Date	Title	Opinion	No. of Priority Ones	Details of original Recommendation	Responsible Officer	Lead Officer	Comments
ECHS/12/2019/AU  Finalised 5th May 2020	Review of Looked After Children	Limited	1	<p>All residential placements must be supported by a valid contract. This case demonstrates that Financial Regulations and Contract Procedure Rules were not adhered to.</p> <p>A review of all placements will need to be undertaken once the report is available to ensure that the relevant contractual documentation is in place. These should be held securely.</p> <p>Service agreements should not be authorised which will result in a payment being made to the provider, until the signed contract accepting the terms and conditions have been accepted.</p> <p>All residential placements must be supported by a valid contract. This case demonstrates that Financial Regulations and Contract Procedure Rules were not adhered to.</p> <p>A review of all placements will need to be undertaken once the report is available to ensure that the relevant contractual documentation is in place. These should be held securely.</p> <p>Service agreements should not be authorised which will result in a payment being made to the provider, until the signed contract accepting the terms and conditions have been accepted.</p>	Director of Children's Services	Assistant Director, Children's Social Care / Head of Service, Children Looked After (CLA) & Care Leavers	<p>July 2020 See Progress Report</p> <p>November 2020 See Progress Report</p>

**The following P1 recommendations have been implemented :**

- Recourse to Public Funds - See Progress Report
- Business Continuity and Emergency Planning - See Progress Report
- Schools Finance Team - See Progress Report
- Tax and National Insurance Arising From the Audit of Procurement Cards - See Progress Report
- Leaving Care - See Progress Report
- Strategic Property - See Progress Report

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**Risk Assessment Guidance**

Likelihood	Almost Certain (5)	5	10	15	20	25	<table border="1"> <tr> <td>15+</td> <td><b>High Risk</b> - review controls and actions every month</td> </tr> <tr> <td>10 - 12</td> <td><b>Significant Risk</b> - review controls and actions every 3 months</td> </tr> <tr> <td>5 - 9</td> <td><b>Medium Risk</b> - review controls and actions every 6 months</td> </tr> <tr> <td>1 - 4</td> <td><b>Low Risk</b> - review controls and actions at least annually</td> </tr> </table>	15+	<b>High Risk</b> - review controls and actions every month	10 - 12	<b>Significant Risk</b> - review controls and actions every 3 months	5 - 9	<b>Medium Risk</b> - review controls and actions every 6 months	1 - 4	<b>Low Risk</b> - review controls and actions at least annually
	15+	<b>High Risk</b> - review controls and actions every month													
	10 - 12	<b>Significant Risk</b> - review controls and actions every 3 months													
	5 - 9	<b>Medium Risk</b> - review controls and actions every 6 months													
	1 - 4	<b>Low Risk</b> - review controls and actions at least annually													
Highly likely (4)	4	8	12	16	20										
Likely (3)	3	6	9	12	15										
Unlikely (2)	2	4	6	8	10										
Remote (1)	1	2	3	4	5										
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)	Impact								

Risk Likelihood Key					
	Score - 1	Score - 2	Score - 3	Score - 4	Score - 5
	Remote	Unlikely	Possible	Likely	Definite
Expected frequency	10 - yearly	3 - yearly	Annually	Quarterly	Monthly

Risk Impact Key					
Risk Impact	Score - 1	Score - 2	Score - 3	Score - 4	Score - 5
	Insignificant	Minor	Moderate	Major	Catastrophic
Compliance & Regulation	Minor breach of internal regulations, not reportable	Minor breach of external regulations, not reportable	Breach of internal regulations leading to disciplinary action Breach of external regulations, reportable	Significant breach of external regulations leading to intervention or sanctions	Major breach leading to suspension or discontinuation of business and services
Financial	Less than £50,000	Between £50,000 and £100,000	Between £100,000 and £1,000,000	Between £1,000,000 and £5,000,000	More than £5,000,000
Service Delivery	Disruption to one service for a period of 1 week or less	Disruption to one service for a period of 2 weeks	Loss of one service for between 2-4 weeks	Loss of one or more services for a period of 1 month or more	Permanent cessation of service(s)
Reputation	Complaints from individuals / small groups of residents Low local coverage	Complaints from local stakeholders Adverse local media coverage	Broader based general dissatisfaction with the running of the council Adverse national media coverage	Significant adverse national media coverage Resignation of Director(s)	Persistent adverse national media coverage Resignation / removal of CEX / elected Member
Health & Safety	Minor incident resulting in little harm	Minor Injury to Council employee or someone in the Council's care	Serious Injury to Council employee or someone in the Council's care	Fatality to Council employee or someone in the Council's care	Multiple fatalities to Council employees or individuals in the Council's care

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## Corporate Risk Register - Appendix C2

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			DATE COMPLETED:	RISK OWNER
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING	FURTHER ACTION REQUIRED	
1	Corporate Risk	Failure to deliver a sustainable Financial Strategy which meets with BBB priorities and failure of individual departments to meet budget	<p><b>Cause(s):</b></p> <ol style="list-style-type: none"> <li>The 2020/21 Council Tax report identified the need to reduce the Council's 'budget gap' of £16.9m per annum by 2023/24. Funding changes have been announced in the One Year Local Government Finance Settlement 2020/21.</li> <li>The Government recently announced a delay in the Fair Funding review and devolution of business rates until 2022/23 (delayed a further year). It is likely, therefore, that there may be a one year financial settlement for 2021/22. A one year settlement and the delay in the Fair Funding Review creates greater financial uncertainty relating to the impact on 2022/23 and beyond. A significant challenge to the current year's financial position relates to the impact of COVID-19 and the extent to which the Government funds the net cost to the Council. Examples of the financial impact include: <ul style="list-style-type: none"> <li>(a) Additional costs relating to direct support, enhancements to contract prices during this interim period (where necessary), additional staffing support, provision of new services, mortuary costs etc.;</li> <li>(b) Planned budget savings which cannot be delivered during this period;</li> <li>(c) Loss of income which includes, for example, car parking and enforcement, business rates, council tax collection, rent income from investment properties and treasury management.</li> </ul> </li> <li>Although it is not possible to accurately estimate the financial impact, an initial estimate of the total net cost including income losses is expected to significantly exceed the current level of Government funding provided of £16.6m. The main element of financial loss relates to income reductions ranging from car parking to collection of council tax and business rates.</li> <li>It is not clear whether the government will fully compensate councils for any income losses or non-delivery of planned budget savings and there is likely to be resultant financial impact on the Council's four year financial forecast relating to the 'new normal' in future years, which cannot be quantified at this stage.</li> <li>Failure to meet departmental budgets due to increased demand on key services resulting in overspends: Housing (homelessness and cost of bed and breakfast); Social Care (welfare reform and ageing population); and Waste (growing number of households).</li> <li>The risk of the Council not being able to carry out its statutory duties (e.g. pupil admissions, school improvement, child protection) as a consequence of funding reductions.</li> <li>Dependency on external grants to fund services (schools and housing benefits are ring-fenced) - affect if grant reduces (Public Health services) or ceases.</li> <li>The new national living wage will have cost implications to the Council over the next few years (e.g. care providers and carers).</li> <li>Local government may be required to take on new funding responsibilities in the future without adequate funding.</li> <li>Impact of welfare reforms and the phased roll out of Universal Credit.</li> <li>Failure to identify and highlight frauds and weaknesses in the system of internal control (which invariably have a financial impact). Overall, fraud losses are mainly benefit related (Council Tax Support / Single Person Discount).</li> </ol> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Increased overspends in particular services</li> <li>- Council unable to carry out its statutory duties due to services cuts</li> <li>- Reputational damage</li> </ul>	Finance Financial	5	5	25	<ul style="list-style-type: none"> <li>- Regular update to forward forecast</li> <li>- Early identification of future savings required</li> <li>- Transformation options considered early in the four year forward planning period</li> <li>- Budget monitoring to include action from relevant Director to address overspends including action to address any full year additional cost</li> <li>- Mitigation of cost pressures including demographic changes</li> <li>- Quarterly review of growth pressures and mitigation</li> <li>- Apart from 'One Bromley' projects, there are opportunities for the Transformation Reviews and Core Statutory Minimum Reviews</li> </ul>	4	5	20	The Council is undertaking a review to determine the core statutory minimum service requirements and exploring transformation opportunities to help meet the ongoing budget gap	Director of Finance
3	Corporate Risk	Failure to deliver partial implementation of Health and Social Care Integration. Plans not in place to deliver partial integration by 2020	<p><b>Cause(s):</b></p> <ol style="list-style-type: none"> <li>Difficulty in achieving rapid change in a system as complex as health and social care.</li> <li>Rising social care costs due to ageing population and people living longer with increasing complex needs.</li> <li>Difficulties with agreeing budgets (given likely funding reductions going forward), complex governance arrangements, and workforce planning.</li> <li>Need to focus on collaborative working (cultural differences).</li> <li>Pressure for social care services to be accessible 7 days a week in terms of our own workforce and contracts with external providers in line with NHS priority to deliver 7 day working across the health sector.</li> <li>LBB will need to contribute to a whole system review (led by the Bromley Clinical Commissioning Group) to ensure that funding follows the patient.</li> </ol> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Failure to deliver statutory duties</li> <li>- Failure to achieve our Building a Better Bromley priorities.</li> </ul>	Health and Social Care Integration Contractual and Partnership	2	3	6	<ul style="list-style-type: none"> <li>- A draft 2020 integration plan for health and social care integrated service delivery and commissioning across the borough was developed by May 2018 by Education, Care and Health Services and the Bromley Clinical Commissioning Group</li> <li>- Continued work with health partners to deliver the main transformation programmes e.g. Bromley Well and the transformation of prevention</li> <li>- Building on the work already delivered through S75 agreement with Oxleas and being implemented through the Better Care Fund workstreams e.g. Winter Resilience work, Transfer of Care Bureau, Integrated Care Records and Discharge to Assess.</li> <li>- New Governance structure between the London Borough of Bromley and the Bromley Clinical Commissioning Group feeding into the Health and Wellbeing Board via the Integrated Commissioning Board (strategic) and Commissioning Network (operational)</li> </ul>	2	3	6		Director of Adult Services
4	Corporate Risk	Failure to manage change and maintain an efficient workforce to ensure that BBB priorities are met	<p><b>Cause(s):</b></p> <ol style="list-style-type: none"> <li>The on-going need to reduce the size and change the shape of the organisation to secure priority outcomes within the resources available.</li> <li>Having the right people in place by implementing effective recruitment and retention strategies.</li> <li>Potential skills gap and deterioration of service quality through loss of experienced staff as a result of age profile of workforce and downsizing (failure to succession plan).</li> <li>Disruption while services realigned and staff appointed to new structure.</li> <li>Increasing demands and pressures on remaining staff given increased customer expectation levels, could lead to morale issues.</li> <li>Increased potential for internal controls to be bypassed due to flatter reporting structure.</li> <li>Lack of capacity to lead projects / manage change agenda and consequent ability to respond to change initiatives and the achievement of outcomes and benefits.</li> <li>Potential future shortage of professionally qualified practitioners in key areas, particularly around the Safeguarding agenda.</li> <li>Need to ensure that relevant staff have necessary disciplines to drive improvement and enable good practice and consistency in delivering change and the achievement of outcomes and benefits e.g. risk and performance management.</li> <li>Adverse industrial relations climate with individual and collective grievances including trade disputes with the unions, causing some disruptions to vital Council services.</li> <li>Increasing number of employment tribunal cases causing financial and administrative inconveniences.</li> <li>Having the right buildings and facilities to support fewer, more professional, differently organised staff.</li> <li>The need to track continued changes to government strategy and policies coupled with changes in legislation to avoid compliance issues (approx. 1,300 statutory duties).</li> <li>Adequacy of consultation on issues that affect residents across the borough i.e. re-organisation of libraries, Biggin Hill expansion.</li> <li>Adverse external audit comment and resulting ratings in relation to 'excellent in the eyes of local people'.</li> </ol> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Skill gaps</li> <li>- Deterioration of service quality through loss of experienced staff</li> <li>- Disruption while services are realigned</li> <li>- Weaker internal controls</li> </ul>	Organisational Change Personnel	4	2	8	<ul style="list-style-type: none"> <li>- Continuously address the recruitment and retention of key individuals in critical posts.</li> <li>- Effective succession planning and grow your own initiatives, and using the Apprenticeship Levy to address recruitment challenges in the medium-long term</li> <li>- Ensure the organisation has the HR capacity and employment law expertise to manage change.</li> <li>- Address the transformational and transitional capabilities (including leadership) required for a successful commissioning journey/process.</li> <li>- Provide adequate resources to support and improve staff engagement and communications.</li> </ul>	4	2	8		Director of Human Resources and Customer Services
5	Corporate Risk	Ineffective governance and management of contracts	<p><b>Cause(s):</b></p> <ol style="list-style-type: none"> <li>Ensuring client side staff have the necessary training and skills to manage and monitor contracts.</li> <li>Ensuring effective communication channels between client and provider to ensure contract compliance.</li> <li>Need for monitoring officers to check quality of outsourced services and customer satisfaction levels.</li> <li>Lack of understanding of the contract deliverables.</li> <li>Short cuts in procurement processes e.g. extending contracts rather than retendering.</li> <li>Compatibility of different systems and availability of IT support.</li> <li>Failure of a contractor / partner / provider to maintain agreed service levels resulting in an interruption to or deterioration of service delivery.</li> <li>Potential for operational errors / omissions by contractors (responsibility remains with LBB).</li> <li>Managing customer expectations and dealing with complaints where there are failures.</li> </ol> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Financial losses</li> <li>- Service disruptions</li> <li>- Provider fails to maintain agreed service levels routinely</li> <li>- Increased resource to handle and manage complaints / customer expectations</li> <li>- Failure to achieve our Building a Better Bromley priorities.</li> </ul>	Contract Management Contractual and Partnership	3	4	12	<ul style="list-style-type: none"> <li>- Contract Procedure Rules and regular Practice / Guidance notes to all Contract Owners</li> <li>- Review of contract management and contract monitoring controls including any issues identified by internal audit</li> <li>- Contracts Database and Quarterly Contracts Database Report to all relevant Committees</li> <li>- Procurement Board oversight</li> <li>- Member scrutiny including regular Contract Monitoring Reports for £500k+ contracts</li> <li>- Regular programme of training delivery to staff</li> <li>- Quarterly Contract Owners meetings</li> </ul>	3	4	12	<ul style="list-style-type: none"> <li>- Contract Management guidance on toolkit to be reviewed</li> <li>- Review of Contract Procedure Rules</li> <li>- Ongoing training delivery</li> <li>- Improve compliance with annual Contract Monitoring Requirement</li> </ul>	Service Directors supported by Assistant Director, Governance and Contracts
6	Corporate Risk	Failure to maintain and develop ICT information systems to reliably support departmental service delivery	<p><b>Cause(s):</b></p> <ol style="list-style-type: none"> <li>Need to ensure that Information systems are fit for future business purpose.</li> <li>Capacity and skill within Corporate ICT to maintain and support systems during a period of significant change and in the future.</li> <li>Increasing reliance on stability of ICT infrastructure in all areas of the Council (Lync telephony service).</li> <li>Council website now a major channel for the delivery of services (Pay for it, Apply for it, Report it).</li> <li>Adequacy of information governance data protection rules to ensure the confidentiality, integrity and availability of information assets.</li> <li>IT failure impacting on critical operational systems.</li> <li>Over the next 3 years we will need to undertake gateway reviews / procurement plans for at least 4 of the Council's business critical systems; Customer Relationship Manager, Carefirst, Housing info system and Education's Capita One system plus the main LBB website and SharePoint.</li> <li>Transfer of IT contract to new ICT 3rd party supplier.</li> </ol> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Service disruptions</li> <li>- Inability to access key systems</li> <li>- Reputational damage</li> <li>- Inability to support organisation change and savings targets</li> <li>- Failure to achieve our Building a Better Bromley priorities.</li> </ul>	ICT Data and Information Technological	3	2	6	<ul style="list-style-type: none"> <li>- Transfer of IT contract to new BT in 2016 to give greater resilience. Robust backup arrangements</li> <li>- Enhanced antivirus/cyber security. tested system restoration arrangements.</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>- Review data storage /hosting arrangements. Carry out at least 4 gateway reviews for major systems.</li> <li>- Increase stability of ICT infrastructure including Lync.</li> </ul>	Director of Corporate Services

### Corporate Risk Register - Appendix C2

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			DATE COMPLETED:	RISK OWNER
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING	FURTHER ACTION REQUIRED	
7	Corporate Risk	Failure to maintain robust Business Continuity and Emergency Planning arrangements	<p><b>Cause(s):</b></p> <ol style="list-style-type: none"> <li>Unavailability of Council offices / depots due to explosion, fire flood or police cordons around Council buildings</li> <li>Operational emergencies due to severe weather conditions, fire, or major incident.</li> <li>Availability of staff to deliver key services if trained volunteers are taken away to deal with a major incident (the Council is a Category 1 responder under the Civil Contingencies Act).</li> <li>Loss of key business systems due to power problems or system failure.</li> <li>Inadequate IT disaster recovery arrangements leading to dislocation of Council services.</li> <li>Sustained industrial action affecting key services.</li> <li>Lack of Business Continuity Plan testing.</li> <li>Adequacy of contractor's business continuity plans.</li> <li>Shortage of staff to deliver key services in the event of a flu pandemic or similar</li> </ol> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>Significantly prolonged service disruptions</li> <li>Normal service takes longer to resume</li> <li>Reputational damage / loss of credibility</li> <li>Increased costs to rectify disruptions</li> <li>Injury / harm</li> <li>Loss of access to key systems</li> <li>Failure to achieve our Building a Better Bromley priorities.</li> </ul>	Business Continuity Physical Reputational	4	3	12	<ul style="list-style-type: none"> <li>Business Continuity Plans</li> <li>Emergency Planning procedures</li> </ul>	4	3	12	<p>To ensure that all Business Continuity Plans are up to date and are cross linked with one another across the Authority, specifically in relation to fall back sites, where there may be a number of departments using the same scarce resource.</p> <p>To consider our Business Continuity plans in the event of a major incident in the Borough (staff unable to get to work, staff caught up in or helping with the incident).</p> <p>To revisit the evacuation protocols within the Civic Centre site, specifically where staff would go if there was a large cordon around Bromley Town Centre.</p> <p>To continue to provide a resilient out of hours service to Emergency Planning by having Trained contactable volunteers.</p>	Director of Environment and Public Protection
8	Corporate Risk	Failure to deliver effective Children's services The Council is unable to deliver an effective children's service to fulfil its statutory obligations in safeguarding and protect those at risk of significant harm or death, sexual exploitation or missing from care	<p><b>Cause(s):</b></p> <ol style="list-style-type: none"> <li>Local authority response to Bromley's Safeguarding Children's Board following Wood Review.</li> </ol> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>Impact on Life chances and outcomes for children</li> </ul>	Children's Social Care Legal, Reputational	3	5	15	<ul style="list-style-type: none"> <li>Multi Agency Bromley Children's Safeguarding Board (BCSB) Training programme 2019 to be set</li> <li>Dedicated HR programme of support in place to recruit social workers to front line posts</li> <li>Scrutiny of Performance Management Framework and Indicators</li> <li>Effective procurement framework and contract monitoring arrangements to ensure acceptable quality of service provision and value for money - under review</li> <li>Quality Assurance Audit Programme Phase3</li> <li>Children's Services Practice Improvement Board to commence April 2019 to deliver Ofsted and local authority recommendations</li> <li>Continued reduction of caseloads &amp; within Caseload promise on average</li> <li>Atlas Team reviewed and moved to MASH to improve safeguarding</li> <li>Identified Training plan for qualified social workers and other professionals reviewed and updated quarterly</li> </ul>	3	4	12	<ul style="list-style-type: none"> <li>Ofsted validation - report published 7th January 2019</li> <li>Phase 3 - 'to excellence' plan in development</li> </ul>	Director of Children's Services
9	Corporate Risk	Temporary Accommodation Inability to effectively manage the volume of people presenting themselves as homeless and the additional pressures placed on the homeless budgets	<p><b>Cause(s):</b></p> <ol style="list-style-type: none"> <li>Changes in government funding</li> <li>Rising numbers of placements (approx. 20 per month).</li> </ol> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>Failure to fulfil statutory obligations</li> <li>Impact on life chances and outcomes for individuals and families in temporary accommodation</li> <li>Increased risk of legal challenge due to provision of unsuitable accommodation (including shared accommodation)</li> <li>Pressure on other services</li> </ul>	Housing Social	5	4	20	<ul style="list-style-type: none"> <li>Focus on preventing homelessness and diversion to alternative housing options through:-</li> <li>Landlord and Tenancy advice, support and sustainment</li> <li>Assistance, (including financial aid) to access the private rented sector</li> <li>Access to employment and training</li> <li>Debt, money, budgeting and welfare benefits advice, including assistance to resolve rent and mortgage arrears</li> <li>Sanctuary scheme for the protection of victims of domestic violence</li> <li>Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money</li> <li>Implementation of the More Homes Bromley initiative to ensure the supply reduces the reliance on nighty paid accommodation</li> <li>Implementing the Homelessness Strategy - setting up the multi agency Homelessness forum and taking forward the priorities of the strategy</li> <li>New incentive campaign for private sector landlords embedded and benefits being realised</li> </ul>	4	4	16	<ul style="list-style-type: none"> <li>Housing Transformation Board progressing projects to increase cost effective temporary accommodation and affordable housing supply. Member approval to be sought in May 2019.</li> <li>Transformation Board action plan in place for next 3-4 years.</li> <li>Continue to develop partnership working with private sector landlords to assist households to remain in private sector accommodation.</li> <li>Work innovatively with a range of providers to increase access to a supply of affordable accommodation.</li> <li>Implement Intake and Early Intervention service to meet Homelessness Reduction Act</li> <li>Complete tender process for modular homes supplier for temporary accommodation</li> </ul>	Director of Housing, Planning and Regeneration
10	Corporate Risk	Potential detrimental impact of BREXIT upon service delivery	<p><b>Cause(s):</b></p> <ol style="list-style-type: none"> <li>Uncertainty over final outcome and resultant impact of negotiations</li> <li>Multiple scenarios and associated time frames causing regulatory and legislative issues</li> <li>Uncertainty making planning assumptions difficult</li> </ol> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>Scale and impact difficult to assess</li> <li>Impact upon mitigation planning</li> </ul>	Corporate	3	2	6	<ul style="list-style-type: none"> <li>Process in place to monitor potential impacts upon specific key services</li> <li>Monitoring of potential effects with key partners</li> <li>Collaboration with all London Local Authorities to ensure concerns are raised with HM Government</li> <li>Regular BREXIT updates received from HM Government</li> <li>Contingency fund provided by HM Government</li> <li>Local Authority has adequate reserves to deal with any unforeseen consequences of BREXIT</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>Review of planning assumptions and mitigation once Clarity regarding BREXIT is known</li> </ul>	Brexit Lead - Director of Environment and Public Protection
11	Corporate Risk	Failure to deliver the Transforming Bromley Programme	<p><b>Cause(s):</b></p> <ol style="list-style-type: none"> <li>Failure to identify and put forward sufficient transformation proposals to deliver the quantum of savings required by 2022/23</li> <li>Failure to deliver appropriate mitigation of existing projected growth pressures within the financial forecast</li> <li>Failure to appropriately resource each Transforming Bromley workstream with sufficient project support and subject matter expertise to enable the identification of proposals</li> <li>Insufficient management oversight and governance arrangements to shape the delivery of proposals to enable Member decision making and inform budget setting for each financial year</li> <li>Insufficient consultation and engagement with relevant stakeholders to ensure the successful delivery of proposals.</li> </ol> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>Inability to address the Council's budget gap of £16.9m by 2023/24</li> <li>Unable to meet key commitments of the Medium Term Financial Strategy</li> </ul>	Finance Financial	4	5	20	<ol style="list-style-type: none"> <li>Robust governance process: fortnightly meetings of the Transformation Board, chaired by the Chief Executive and attended by Chief Officers</li> <li>Each Transformation Board workstream attends the Transformation Board twice before proposals are reviewed by Cabinet/Directors, Group, PDS Committees and the Executive.</li> <li>Each Transformation Programme Board has its own Project Manager and additional Transformation Leads are brought in to support the successful delivery of proposals</li> <li>Communications Plan will be in place to enable the successful engagement with Members, staff and partners as needed</li> <li>Where transformation proposals have public law implications, an appropriate assessment will be carried out and stakeholders will be engaged.</li> <li>Each Chief Officer will give an standing item update at their respective PDS Committee(s) on the Transforming Bromley Programme</li> <li>Transformation Fund to support the successful delivery of transformation proposals subject to a suitable business case being provided</li> <li>A review of core statutory minimum service requirements will enable each service area to identify where potential savings could be and to evidence that where discretionary services are delivered, they are done so on a cost-recovery basis and/or they reduce long-term dependency on higher levels of statutory intervention which generate longer term growth pressures for the Council.</li> <li>All proposals will be submitted to the Executive to inform budget setting for 2020/21.</li> </ol>	3	5	15	<p>In the event that the Transformation Programme fails to support the successful identification of the required quantum of savings to address the Council's underlying budget gap by 2023/24, the Council will still be legally required to deliver a balanced budget as set out in the Local Government Finance Act 1988.</p> <p>As part of the Transformation Programme, the Chief Executive, the Section 151 officer and the senior leadership team have reviewed the delivery of discretionary services across the organisation and this has informed the development of the Transformation Programme workstreams. They will, therefore, report to Members on this review and other administrative decisions in order to meet the statutory requirement for a balanced budget. If funding reductions remain and growth/cost pressures continue, these decisions are likely to have an impact on the delivery of services to our residents and service users</p>	Chief Executive



### Corporate Risk Register - Appendix C2

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			DATE COMPLETED:	02/10/2020
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING	FURTHER ACTION REQUIRED	RISK OWNER
12	Corporate Risk	Impact of COVID-19 pandemic on service delivery	<p><b>Cause(s)</b></p> <ol style="list-style-type: none"> <li>Potential for Increased staff absence rate amongst LBB employees and contractors</li> <li>Difficulty in conducting Business as Usual due to pandemic and Government restrictions</li> <li>Increased workloads, in key defined critical services</li> <li>Provision of new ways of working requiring redeployment of staff</li> <li>Reduction in Council funds through reduced income, higher expenditure or longer term Government fiscal policy</li> <li>Challenging staff/trade union relationships</li> <li>Loss of funded posts in key areas</li> </ol> <p><b>Effect(s)</b></p> <ul style="list-style-type: none"> <li>Reduction in provision of services across the Local Authority</li> <li>Impact upon delivering statutory responsibilities</li> <li>Difficulty with staff deployment and associated contractual issues</li> <li>Damage to Council's reputation</li> <li>Impact upon employees' mental health and well being</li> <li>Impact on the delivery of the Transformation Programme 2020/23</li> <li>Unable to address the Council's budget gap of £16.9m by 2023/24</li> </ul>	Corporate	5	4	20	<ul style="list-style-type: none"> <li>Strategic and Tactical Coordination Groups established</li> <li>Meeting and reporting structures in place</li> <li>Decision making process streamlined</li> <li>Action taken to mitigate surge in identified critical services</li> <li>Effective partnership working to collectively mitigate risks</li> <li>Overarching command and control structure for London Local authorities in place</li> <li>Effective communication strategy and delivery in place</li> <li>Preparations for a phased return to work in place</li> <li>Effective partnership arrangements in place with voluntary sector and communities</li> <li>Mutual aid agreement in place across the South East Boroughs</li> <li>Regular dialogues and communications with staff and their representatives</li> <li>Adoption of financial relief measures offered by Government</li> <li>Continued lobbying of Government in relation to local financial impact</li> <li>HR processes refined and in place to support staff</li> <li>Experience gained during first wave of pandemic</li> <li>Development of an Outbreak Control plan including track and trace capability</li> </ul>	5	3	15	<ul style="list-style-type: none"> <li>Continued preparations for anticipated second wave</li> <li>Implementation and monitoring of recovery plans</li> </ul>	Chief Officers' Executive

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## Adult Care and Health Risk Register - Appendix C3

Q1 2020/21

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)					EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)					FURTHER ACTION REQUIRED	RISK OWNER
					LIKE LIHO	OD	IMPA	CT	RISK RATI NG		LIKE LIHO	OD	IMPA	CT	RISK RATI NG		
1	All	<b>Failure to deliver Financial Strategy</b>	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Continual reduction in Central Government funding</li> <li>- Demographic changes</li> <li>- Increased demand for services</li> <li>- Demand led statutory services (c. 80% of operations) which can be difficult to predict</li> <li>- Increasing cost volatility due to rise of complex, high cost families or placements requiring services.</li> <li>- Potential employer liability issues for direct payment users</li> <li>- Impact of COVID-19 pandemic</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Lower than anticipated levels of financial resource</li> <li>- Failure to achieve a balanced budget</li> <li>- Failure to secure economy, efficiency, and effectiveness of use of resources leading to a Qualified Independent Auditors' Report</li> <li>- Objectives of the service not met</li> <li>- Reputation is impacted</li> <li>- Wider goals of the Council are not achieved</li> </ul>	Financial		5	5		25	<ul style="list-style-type: none"> <li>- Budget monitoring and forecasting</li> <li>- Regular review of medium term strategy</li> <li>- Regular reporting to CLT and Members via the Committee reporting process</li> <li>- Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money</li> <li>- Monitor demographics, economic indicators and develop insight into future demand</li> <li>- Match financial planning to Council priorities</li> <li>- Internal audit framework</li> <li>- Early intervention with service users</li> <li>- Constantly reviewing service operations for potential efficiencies</li> <li>- Developed a series of commissioning plans, with mitigating actions, for Adult Social Care (Mental Health, Learning Disabilities and Older People) including mitigating actions addressing financial pressures</li> <li>- Growth and mitigation discussions</li> <li>- Service strategies in place to mitigate growth</li> </ul>		5	5		25	<ul style="list-style-type: none"> <li>- Delivering commissioning actions in ASC Transformation Board programme.</li> <li>- Process to ensure employer liability insurance is held by direct payment users when appropriate</li> </ul>	Director, Adult Services Kim Carey  Director, Public Health (Nada Lemic)
2	Adult Social Care	<b>Failure to deliver effective Adult Social Care services</b> The Council is unable to deliver an effective adult social care service to fulfil its statutory obligations including the safeguarding of Adults	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Increasing demand</li> <li>- Above compounded by associated longer waiting lists leading to deteriorating condition and ultimately increased service user/ carer costs</li> <li>- Failure to deliver effective safeguarding arrangements</li> <li>- Failure to comply with statutory requirements including the Care Act</li> <li>- Potential instability in social care workforce</li> <li>- Impact of COVID-19 pandemic</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Impact on life chances and outcomes for service users</li> <li>- Failure to keep vulnerable adults safe from harm or abuse</li> </ul>	Legal		4	4		16	<p><b>Care Act</b> - Redesigned processes, including amending forms, and operational procedures in place and Care Act compliance training</p> <p><b>Improved Better Care Fund</b> - Programme overseen by the Joint Assistant Director of Commissioning and the CCG</p> <p><b>Safeguarding</b> - 1. Multi Agency Bromley Adult Safeguarding Board (BSAB) in place. 2. BSAB Training programme (E Learning and Face to Face). 3. Awareness training for vulnerable groups. 4. Care Act compliance training</p> <p><b>Recruitment</b> - Dedicated HR programme of support in place to recruit social workers to front line posts</p> <p><b>Performance Monitoring Framework</b> - Review of Performance Management Indicators</p> <p><b>Procurement and Contract Monitoring</b> - Effective procurement framework and contract monitoring arrangements to ensure acceptable quality of service provision and value for money</p>		3	4		12	<ul style="list-style-type: none"> <li>- Actions as part of LBB's Adult Social Care Transformation Plan</li> </ul>	Director, Adult Services (Kim Carey)
3	Learning Disability Service	<b>Failure to deliver effective Learning Disability services</b> Failure to assess service users, establish eligibility criteria and carry out the review process.	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Failure to identify and meet service users' needs</li> <li>- Provision of service to ineligible clients</li> <li>- Provision of service prior to/without appropriate authorisation</li> <li>- Failure to manage the transition process of service users from Children's Services to Adult Services leading to increased risk of Judicial Review</li> <li>- Potential instability in social care workforce</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Costs associated with Legal process</li> <li>- Ongoing care package costs as a result of Legal process outcome</li> <li>- Placement predictions leading to financial pressures (cross refer Budget risk)</li> </ul>	Legal		4	4		16	<ul style="list-style-type: none"> <li>- Close monitoring of placements and eligibility criteria</li> <li>- Budget monitoring and forecasting</li> <li>- Regular review of medium term strategy</li> <li>- Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money</li> <li>- Hold provider to account for poor performance</li> <li>- Monitor demographics, economic indicators and develop insight into future demand</li> </ul>		3	4		12	<ul style="list-style-type: none"> <li>- LD Strategy in development</li> <li>- Actions as part of LBB's Adult Social Care Transformation Plan</li> </ul>	Director, Adult Services (Kim Carey)

## Adult Care and Health Risk Register - Appendix C3

Q1 2020/21

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)					EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)					FURTHER ACTION REQUIRED	RISK OWNER
					LIKE	LHO	OD	IMPA	CT		RISK	RATI	NG	LIKE	LHO		
4	Adult Social Care	<b>Deprivation of Liberty</b> Failure to prevent unlawful deprivation of liberty	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Risk increased due to change in legislation increasing scope.</li> <li>- Any claim by service user with a community package of care if DoL not in place</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Failure to comply with statutory requirements pursuant to Section 4 (Section 4A) and paras 129, 180 and 182 of Schedule A (Schedule A1) of the Mental Capacity Act 2005 (as amended to incorporate the Deprivation of Liberty Safeguards 2009)</li> <li>- Failure to comply with Mental Capacity (Amendment) Act 2019 when implemented if preparations not in place.</li> </ul>	Legal		4	4	16	<ul style="list-style-type: none"> <li>- Core administrative function maintained</li> <li>- Framework in place to deliver the functions of the Best Interest Assessor and the 'Section 12' Doctor</li> <li>- Rolling out training for all social workers to become Best Interest Assessors - will be reviewed in light of future change in legislation</li> <li>- Scoping of potential deprivation of liberty cases in the community completed on CareFirst and cases prioritised accordingly. Organisational wide planning and scoping to identify the cases and minimise legal risks before the actual date the amended legislation will come into force.</li> <li>- Implementation of government guidance on remote assessments during COVID-19 pandemic</li> </ul>		2	2	4			Director, Adult Services (Kim Carey)	
5	Adult Social Care	<b>Recruitment and Retention - ASC</b> Failure to recruit and retain key skilled staff with suitable experience/qualifications	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Failure to compete with other organisations to recruit the highest quality candidates to build an agile workforce</li> <li>- Small pool of experienced adult's Social Workers</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Failure to identify and meet service user needs</li> <li>- Provision of service to ineligible clients</li> <li>- Provision of service prior to/without appropriate authorisation</li> <li>- Lack of skill set results in an inability to deliver effective adults' services to fulfil statutory safeguarding obligations, impacting on life chances and outcomes</li> </ul>	Personnel		5	4	20	<ul style="list-style-type: none"> <li>- Joint meetings held between HR and employment agencies to improve the quality and speed of locum assignments</li> <li>- Review of the current Recruitment and Retention package through Recruitment and Retention Board</li> <li>- Recruitment drive to convert locums to permanent staff</li> <li>- Commissioning of improvements to the Council's recruitment web site to include a video virtual tour of the Council</li> <li>- Support in effectively managing staff performance</li> <li>- Provision of training measures to include targeted leadership and management training programmes including partners and other stakeholders</li> <li>- Tailored individual career plan for staff</li> <li>- Bespoke training for first line managers</li> <li>- Training and quality assurance of practice</li> <li>- Dedicated HR worker to focus on Adult Social Care recruitment</li> <li>- Senior management team in place with 76% permanent staff</li> <li>- Wake up to Care programme to recruit, support the training and oversee the development of care workers in Bromley including LBB staff.</li> </ul>		2	3	6		Director, Adult Services (Kim Carey)  Director, Human Resources (Charles Obazuaye)		
6	Education Adult Social Care	<b>Transport - Children and Adults</b> Failure to provide appropriate home to school transport assistance for children and young people with special educational needs and disabilities and home to day activities for vulnerable adults	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Fluctuating demand year on year</li> <li>- Rising numbers of children meeting criteria for transport provision and associated increase in costs</li> <li>- Ensuring new framework for service in place for September 2020</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Disruption to education</li> <li>- Impact on life chances and outcomes for children and young people</li> <li>- Impact on outcomes for vulnerable adults</li> </ul>	Legal  Financial		5	3	15	<ul style="list-style-type: none"> <li>- Budget monitoring and forecasting</li> <li>- Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money</li> <li>- Travel Training Programme</li> <li>- Route review and rationalisation</li> <li>- Gateway review to improve efficiency</li> <li>- Interim arrangements for adult transport in place to cover period from September 2019 to August 2020</li> </ul>		3	4	12	<ul style="list-style-type: none"> <li>- Review of policy</li> <li>- Executive agreement in April 2020 to award framework contracts to multiple providers via call-off contracts and mini-tender arrangements for commencement in September 2020 for initial 5 years.</li> </ul>	Director, Education (Jared Nehra)  Director, Adult Services (Kim Carey)		
7	Strategy, Performance and Corporate Transformation	<b>Social Care Information System (SCIS)</b> Failure to procure and implement new system	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Failure to establish tender specification of need</li> <li>- Failure to procure within budget</li> <li>- Failure to retain Programme Manager and appoint team to manage implementation</li> <li>- Failure to effectively implement and go live</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Failure to safeguard vulnerable children and adults</li> <li>- Failure to manage children and adult records effectively</li> <li>- Failure to meet government and CQC expectations</li> </ul>	Financial Legal Data		4	5	20	<ul style="list-style-type: none"> <li>- A multi-disciplinary Programme Board in place providing governance</li> <li>- Multi-disciplinary 'SCIS' team appointed and contracts secured.</li> <li>- Award of contract for the new IT system agreed in May 2020.</li> <li>- SCIS team influencing Transformation work streams to maximise digitalisation opportunities.</li> </ul>		2	2	4	<ul style="list-style-type: none"> <li>- Implementation phase development ongoing – reflective of Covid-19 impact</li> <li>- Go live on schedule for April 2022</li> </ul>	Assistant Director, Strategy, Performance and Corporate Transformation (Naheed Chaudhry)		

## Adult Care and Health Risk Register - Appendix C3

Q1 2020/21

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)				EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)				FURTHER ACTION REQUIRED	RISK OWNER
					LIKE LIHO OD	IMPA CT	RISK RATI NG	LIKE LIHO OD		IMPA CT	RISK RATI NG				
8	Public Health	<b>Inability to deliver an effective Public Health service</b> The Council is unable to deliver an effective Public Health service to fulfil its statutory obligations	<b>Cause(s):</b> - Reduced budget which has led to funding cuts, reduced service and redundancies. Withdrawal of non-statutory services. - Potential fluctuating medicines market - Localised COVID-19 outbreaks - Lack of capacity for contract tracing  <b>Effect(s):</b> - Increased clinical risk to patients and Bromley residents - Reputational risk to council - Gaps and potential blocks in health service between NHS and Local Authority	Professional, Legal		4	4	16	- Working with partners including the CCG and Hospital Trust to jointly deliver Public Health functions and mitigate impact of reduced funding - Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money - Existing COVID-19 assistance processes to be utilised if new outbreaks occur - Outbreak Control Plan published which provides framework for prevention and management of local outbreaks		3	4	12	- Plans for further integration of some functions and services with CCG - Frameworks in development for response to COVID-19 outbreaks in specific settings and with vulnerable groups - Identification of capacity for contact tracing for potential future outbreaks - Communication and engagement plans in development for potential COVID-19 outbreaks	Director, Public Health (Nada Lemic)
9	Adult Social Care Public Health Strategy, Performance & Corporate Transformation	<b>Business Interruption / Emergency Planning</b> Failure to provide Council services or statutory requirements of mass illness/fatalities scenario following a business interruption or emergency planning event	<b>Cause(s):</b> - Business Interruption could be caused by Loss of Facility (fire, flood etc.), Staff (illness, strike) or IT (cyber attack). - Mass fatalities or illness has a range of causes and this risk to the council could be caused by council staff being impacted resulting in failure to manage statutory requirements of mass illness/fatalities scenario (e.g. registering of deaths within timescales)  <b>Effect(s):</b> - Business interruption - failure to deliver services, loss of customer / resident satisfaction. - Emergency planning - failure to deliver statutory duties.	Personnel		2	5	10	Business Interruption - Civil protection and emergency planning policies in place at corporate level overseen by the Corporate Risk Management Group - Business Continuity Plans in place at service level. Reviewed and updated. - Contracts contain business continuity provision - Communication to all staff prior to all impending industrial action, informing of any possible service disruption as well as explaining implications of strike action for individual staff members  Emergency Planning - Robust plans in place, including Outbreak Plan, Flu Plan and Pandemic Flu Plan - Alert system via the South East London Health Protection Unit (SEL HPU) - Annual Flu vaccination programme in place - Introduction of Humanitarian and Lead Officer (HALO) role		1	4	4	- Business Continuity Plans reviewed annually.	Director, Adult Services (Kim Carey) Director Public Health (Nada Lemic) Director, Strategy, Performance & Corporate Transformation (Naheed Chaudhry)
10	Strategy, Performance and Corporate Transformation	<b>Data Collections</b> Failure to undertake statutory statistical data collections; including key housing and adults' social care information, thereby adversely affecting government grant allocations and performance assessments	<b>Cause(s):</b> - Business Interruption  <b>Effect(s):</b> - Failure to commission effectively - Adverse impact on the timing and quality of decision making	Data and Information		3	3	9	- Schedule of statutory returns has been incorporated into the Performance and Information team's work programme - Specialist members of the team for each area - Other staff trained to provide 'back up' for specialist members of the team - Good project planning in place to co-ordinate all data collections including contributions from other services		1	3	3		Assistant Director, Strategy, Performance & Corporate Transformation (Naheed Chaudhry)

## Adult Care and Health Risk Register - Appendix C3

Q1 2020/21

REF	DIVISION	RISK TITLE & DESCRIPTION <small>(a line break - press shift &amp; return - must be entered after the risk title)</small>	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING <small>(See next tab for guidance)</small>					EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING <small>(See next tab for guidance)</small>					FURTHER ACTION REQUIRED	RISK OWNER	
					LIKE LIHO	OD	IMPA	CT	RISK RATING		LIKE LIHO	OD	IMPA	CT	RISK RATING			
11	Adult Services	<b>Failure to deliver partial implementation of Health &amp; Social Care Integration</b> Plans are not in place to deliver partial integration by 2020	<b>Cause(s):</b> - Difficulty in achieving rapid change in a system as complex as health and social care - Rising social care costs due to ageing population and people living longer with increasing complex needs - Difficulties with agreeing budgets (given likely funding reductions going forward), complex governance arrangements and workforce planning - Need to focus on collaborative working (cultural differences) - Pressure for social care services to be accessible 7 days a week in terms of our own workforce and contracts with external providers in line with NHS priority to deliver 7 day working across the health sector - LBB will need to contribute to a whole system review (led by BCCG) to ensure that funding follows the patient  <b>Effect(s):</b> - Failure to deliver statutory duties - Failure to achieve our Building a Better Bromley priorities	Financial Compliance /Regulation		2		3		6		2		2		4	- Ongoing discussions around the developing Integrated Care System with Bromley CCG	Director, Adult Social Care (Kim Carey)

## Children, Education and Families Risk Register - Appendix C4

Q2 2020/21

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)				EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)				FURTHER ACTION REQUIRED	RISK OWNER
					LIKE LIHO OD	IMPA CT	RISK RATI NG	LIKE LIHO OD		IMPA CT	RISK RATI NG				
1	Children's Services	<b>Failure to deliver Children's Services Financial Strategy</b>	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Continual reduction in Central Government funding</li> <li>- Demographic changes</li> <li>- Increased demand for services</li> <li>- Demand led statutory services (c. 80% of operations) which can be difficult to predict</li> <li>- Increasing cost volatility due to rise of complex, high cost families or placements requiring services.</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Lower than anticipated levels of financial resource</li> <li>- Failure to achieve a balanced budget</li> <li>- Failure to secure economy, efficiency, and effectiveness of use of resources leading to a Qualified Independent Auditors' Report</li> <li>- Objectives of the service not met</li> <li>- Reputation is impacted</li> <li>- Wider goals of the Council are not achieved</li> </ul>	Financial	5	5	25	<ul style="list-style-type: none"> <li>- Budget monitoring and forecasting</li> <li>- Regular review of medium term strategy</li> <li>- Regular reporting to Members via the Committee reporting process</li> <li>- Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money</li> <li>- Monitor demographics, economic indicators and develop insight into future demand</li> <li>- Match financial planning to Council priorities</li> <li>- Internal audit framework</li> <li>- Early intervention with service users</li> <li>- Constantly reviewing service operations for potential efficiencies</li> <li>- Developed a series of commissioning plans, with mitigating actions, for Children's Social Care and SEND including mitigating actions addressing financial pressures</li> <li>- Growth and mitigation discussions</li> <li>- Service strategies in place to mitigate growth</li> </ul>	4	5	20	<ul style="list-style-type: none"> <li>- Plans are in place in Children's Social Care for improving sufficiency whilst reducing identified areas of budget.</li> <li>- Transformation work being undertaken on High Needs spend on SEND</li> </ul>	<p>Director, Children's Services (Janet Bailey)</p> <p>Director, Education (Jared Nehra)</p>		
2	Children's Services	<b>Failure to deliver effective Children's services</b> The Council is unable to deliver an effective children's service to fulfil its statutory obligations in safeguarding and protect those at risk of significant harm or death, sexual exploitation or missing from care	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Local authority response to Bromley Safeguarding Children's Partnership following Wood Review.</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Impact on life chances and outcomes for children</li> </ul>	Legal, Reputational	3	5	15	<ul style="list-style-type: none"> <li>- Multi Agency Bromley Children's Safeguarding Partnership (BCSP) Training programme 2019 set.</li> <li>- Dedicated HR programme of support in place to recruit social workers to front line posts</li> <li>- Scrutiny of Performance Management Framework and Indicators</li> <li>- Effective procurement framework and contract monitoring arrangements to ensure acceptable quality of service provision and value for money - under review</li> <li>- Quality Assurance Audit Programme Phase 3</li> <li>- Children's Service Practice Improvement Board commenced April 2019 to deliver Ofsted and local authority recommendations.</li> <li>- Continued reduction of caseloads &amp; within Caseload Promise on average</li> <li>- Identified training plan for qualified social workers and other professionals reviewed and updated quarterly</li> </ul>	3	4	12	<ul style="list-style-type: none"> <li>- Ofsted validation - report published 7 January 2019 and action plan agreed</li> <li>- Phase 3 - 'to excellence' plan continues with Performance Improvement Board (PIB) sessions held virtually in June.</li> <li>- Due to Covid-19, progression of some elements of this work are stagnant.</li> </ul>	Director, Children's Services (Janet Bailey)		
3	Children's Services	<b>Recruitment and Retention</b> Failure to recruit and retain key skilled staff with suitable experience/qualifications	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Failure to compete with other organisations to recruit the highest quality candidates to build an agile workforce</li> <li>- Small pool of experienced children's Social Workers</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Failure to identify and meet service user needs</li> <li>- Provision of service to ineligible clients</li> <li>- Provision of service prior to/without appropriate authorisation</li> <li>- Lack of skill set results in an inability to deliver effective children's services to fulfil statutory safeguarding obligations, impacting on life chances and outcomes</li> </ul>	Personnel	5	4	20	<ul style="list-style-type: none"> <li>- Dedicated HR role to support managers in recruiting social workers to front line posts</li> <li>- Joint meetings held between HR and employment agencies to improve the quality and speed of locum assignments</li> <li>- Review of the current Recruitment and Retention package through Recruitment and Retention Board</li> <li>- Recruitment drive to convert locums to permanent staff</li> <li>- Commissioning of improvements to the Council's recruitment web site to include a video virtual tour of the Council</li> <li>- Support in effectively managing staff performance</li> <li>- Provision of training measures to include targeted leadership and management training programmes including partners and other stakeholders</li> <li>- Tailored individual career plan for staff</li> <li>- Launch of Social Work Academy in April 2019.</li> <li>- Bespoke training for first line managers on-going with cohort 2</li> <li>- Training and quality assurance of practice</li> </ul>	3	4	12	<ul style="list-style-type: none"> <li>- As of August 2020 82% permanent staff</li> <li>- During early Covid-19 stage, permanent staff percentage dropped to 79%. Despite challenges to recruit, we have 82% now</li> </ul>	<p>Director, Children's Services (Janet Bailey)</p> <p>Director, Human Resources (Charles Obazuaye)</p>		
4	Children's Services	<b>Business Interruption / Emergency Planning</b> Failure to provide Council services or statutory requirements of mass illness/fatalities scenario following a business interruption or emergency planning event	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Business Interruption could be caused by Loss of Facility (fire, flood etc.), Staff (illness, strike) or IT (cyber attack).</li> <li>- Mass fatalities or illness has a range of causes and this risk to the council could be caused by council staff being impacted resulting in failure to manage statutory requirements of mass illness/fatalities scenario (e.g. registering of deaths within timescales)</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Business interruption - failure to deliver services, loss of customer / resident satisfaction.</li> <li>- Emergency planning - failure to deliver statutory duties.</li> </ul>	Personnel, Reputational	2	5	10	<p><b>Business Interruption</b></p> <ul style="list-style-type: none"> <li>- Civil protection and emergency planning policies in place at corporate level overseen by the Corporate Risk Management Group</li> <li>- Business Continuity Plans in place at service level</li> <li>- Contracts contain business continuity provision</li> <li>- Communication to all staff prior to all impending industrial action, informing of any possible service disruption as well as explaining implications of strike action for individual staff members</li> </ul> <p><b>Emergency Planning</b></p> <ul style="list-style-type: none"> <li>- Robust plans in place, including Outbreak Plan, Flu Plan and Pandemic Flu Plan</li> <li>- Alert system via the South East London Health Protection Unit (SEL HPU)</li> <li>- Annual Flu vaccination programme in place</li> <li>- Introduction of Humanitarian and Lead Officer (HALO) role</li> </ul>	1	5	5	<ul style="list-style-type: none"> <li>- Business Continuity Plans reviewed annually. BCP reviewed and activated in response to Covid 19</li> </ul>	<p>Director, Children's Services (Janet Bailey)</p> <p>Director, Education (Jared Nehra)</p>		
5	Education	<b>School Place Planning</b> Failure to meet the statutory requirement to ensure sufficient school places to meet the needs of the population in the area	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Failure to secure sufficient Primary and Secondary school places in the area</li> <li>- Failure to secure sufficient educational placements for children with disabilities and special educational needs</li> <li>- Failure to secure sufficient alternative provision</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Disruption to the education of children and impact on their life chances</li> </ul>	Political, Legal, Professional	3	4	12	<ul style="list-style-type: none"> <li>- Strategic needs analysis (birth rate, dwelling stock and migration) to project demand</li> <li>- Review analysis of demand annually</li> <li>- SEN sufficiency strategy will inform long term planning of specialist provision</li> <li>- Implement Basic Need programmes</li> <li>- Maintain relationships with DfE ESFA to support delivery of Free School and PSBP programmes</li> <li>- Monitor contractor performance in uncertain market</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>- Continue to work with DfE on delivery of approved new secondary Free Schools at the earliest possible opening date</li> </ul>	Director, Education (Jared Nehra)		

## Children, Education and Families Risk Register - Appendix C4

Q2 2020/21

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)				EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)				FURTHER ACTION REQUIRED	RISK OWNER
					LIKE LIHO OD	IMPA CT	RISK RATTI NG	LIK E LIHO OD		IMPA CT	RISK RATTI NG				
6	Children's Services	<b>Not in Education, Employment or Training (NEET)</b> Failure to meet requirements of Education, Care and Skills Act 2008 - duty on all young people to participate in Education, Employment or Training until their 18th birthday	<b>Cause(s):</b> - Lack of control over Academies <b>Effect(s):</b> - Disruption to Education - Impact on life chances for young people	Professional, Legal	3	2	6	- Provision offered by Bromley Youth Support Programme (BYSP) - Advice and Guidance Drop in sessions, One to one support - Looked After Children NEET support and YOT NEET support - Provision offered by Bromley Education Business Partnership (BEBP) - Bromley Youth Employment Scheme (YES) - Bromley Flexible Learning programme - Mentoring programme - Skills Xtra - Work experience and apprenticeships for Children Looked After - Tracking service in conjunction with South London CCIS Service - 'Door knocking' - Additional NEET worker started, based in Leaving Care service - a 4 year pilot programme, in partnership with Lewisham and Greenwich, providing support for care leavers most at risk of NEET. - NEET strategy being drafted.	3	2	6	- Work experience and apprenticeship programmes are delayed due to Covid 19 - Monitoring the length of time YP remain NEET to measure impact of Covid 19 and efficacy of NEET strategy within CLA and Leaving Care service	Director, Children's Services (Janet Bailey)		
7	Education Adult Social Care Programmes	<b>Transport - School and Adult Social Care</b> Failure to provide appropriate home to school transport assistance for children and young people with special educational needs and disabilities and home to day activities for vulnerable adults	<b>Cause(s):</b> - Fluctuating demand year on year - Rising numbers of children meeting criteria for transport provision and associated increase in costs - Interim transport service arrangements for adults currently uncertain <b>Effect(s):</b> - Disruption to education - Impact on life chances and outcomes for children and young people - Impact on outcomes for vulnerable adults	Legal Financial	5	3	15	- Budget monitoring and forecasting - Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money - Travel Training Programme - Route review and rationalisation - Gateway review to improve efficiency - Interim arrangements for adult transport in place to cover period from September 2019 to August 2020	3	3	9	- Review of policy - Procurement process underway with award of framework going to Executive for approval in April 2020.	Director, Education (Jared Nehra) Director, Adult Services (Kim Carey)		
8	Education	<b>SEND Reforms</b> Failure to meet expectation of SEND reforms	<b>Cause(s):</b> - Ineffective and inaccurate identification of SEND - Failure of schools to make reasonable adjustments to meet needs of individual children and young people - Failure to provide appropriate and effective support for children with identified needs and their schools - Pattern of provision which does not meet the needs of the local population resulting in placements in independent schools <b>Effect(s):</b> - Costs associated with the Legal process - Escalating cost of provision - Impact on education and life chances of children and young people	Financial Legal Professional	4	4	16	- SEN service realigned to improve decision making and management oversight - SEN Inspection Readiness team established with ongoing review and scrutiny - SEN Advisory Teams realigned to maximise resource and fill gaps in support with a specific focus on CYP with EHCPs in mainstream provision - Joint Commissioning arrangements established across a number of key services - Service Level Agreements being established with mainstream settings with additionally resourced provisions to provide clarity across both parties - Local Offer Development Officer recruited to strengthen and promote the Local Offer - Strategic Vision and Priorities agreed for 2019-22 - CAMHS trailblazer project to be implemented - Legal advice to be drawn in to support complex tribunal cases - Local Area Autism Partnership established - Annual review programme, with additional resource identified - Covid-19 programmes established - data reporting, collaborative risk assessments, vulnerable CYP programme and CFA Modifications - The outcome of the Ofsted and Care Quality Commission (CQC) SEND Local Area inspection that took place between 16th - 20th September was published on 23rd December 2019. - SEND Action Plan 2020/21 finalised - Special Free School tendering process underway, Specialist placement planning model commissioned - Engagement framework finalised, CYP participation officer in place - Third site commissioned for CYP who have PMLD/SLD needs and additional capacity in KS1 and KS2 for CYP who have SEMH needs	3	3	9	- QA programme for placements in independent schools to be implemented - ASD Joint Strategy in development - Engagement framework in final stages - CYP Participation Officer post extended with workplan agreed - Bromley Teaching Schools leading SEN training collaborative to support school improvement. - Placement planning framework in development for September 2020 and beyond - Additional local placement capacity in development - Options for SEND placement funding review being considered - SEND Reforms Action Plan 2020/21 in development - Additional capacity in the Statutory required - specific focus on CLA/LC cohort - Preparation for Autumn term Ofsted/CQC 'visit' (review and implement SEND inspection preparation approach) - Implement identified approaches to prepare for a potential second wave of the Covid-19 pandemic	Director, Education (Jared Nehra)		
9	Children's Social Care	<b>Youth Offending</b> Failure to deliver effective youth offending services to protect children and young people and reduce their vulnerability	<b>Cause(s):</b> - Increase in youth offending <b>Effect(s):</b> - Impact on life chances and outcomes for children - Failure to protect the public and actual or potential victims (assessment of risk to others and planning to manage the risk and protect the public)	Professional Reputational	3	4	12	- Learning from the Youth Justice follow up Inspection of February 2017. Action plan developed, fortnightly Improvement Board implemented to ensure action plan carried out. - Improved inspection result - Good in 2017 - Implementation of Strategic Plan 2017/19 - Youth Justice Board self-assessment audit of National Standards - 2 moderation exercises carried out and YJB assured that this reflected service standards - Bi-monthly audits with quality assurance check by SIT Team - Monthly YOS performance meeting to review national KPIs, act upon trends and drive improvement plan - Triage support to divert low level offenders from YJS - Packages of support to manage young people's risk appropriately in the community for those who are sent to custody. - YOS Partnership Improvement Board is overseeing the Improvement Plan - YOS Inspection preparation by all partners. - Implementation of YOS Strategic Policy 2020-23 - Youth Justice Board self assessment of National standards submitted July20 - Auditing program and QA check by SIT team	2	4	8	- Readiness for Youth Offending Service inspection is monitored through challenge sessions and Improvement Board meetings - SEF is being completed with story board for inspection - Covid 19 has slowed progression, inspection also will be delayed	Director, Children's Services (Janet Bailey)		



# Children, Education and Families Risk Register - Appendix C4

Q2 2020/21

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					LIKE LIHO OD	IMPA CT	RISK RATI NG	LIKE LIHO OD		IMPA CT	RISK RATI NG				
10	Children's Social Care	<b>Out of Borough Placements (Children and Young People)</b> Inability to reduce reliance on out of borough placements  Financial implications	<b>Cause(s):</b> - Failure to provide/commission sufficient local placements for children with disabilities and children in care  <b>Effect(s):</b> - Cost implications of out of borough placements (Cross refer Budget risk) - Impact for children's welfare and development	Professional  Financial		3	3	9	- Close monitoring of placements and eligibility criteria - Budget monitoring and forecasting - Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money - Monitor demographics, economic indicators and develop insight into future demand - Out of borough officer in Placements Team reviewing OOB placements and those placed in Bromley from other authorities - Laptop distribution to all NEET over summer 2020 to support accessing online training/learning during pandemic		3	3	9	- Review of children's residential, IFA and semi-supported 16+ market in borough and discussions with Bromley providers to increase our ability to place with them. - Step down from residential to foster care program in place.	Director, Children's Services (Janet Bailey)
11	Strategy, Performance and Corporate Transformation	<b>Data Collections</b> Failure to undertake statutory statistical data collections; including pupil census, attainment data and key children's social care information, thereby adversely affecting government grant allocations and performance assessments	<b>Cause(s):</b> - Business Interruption  <b>Effect(s):</b> - Failure to commission effectively - Adverse impact on the timing and quality of decision making	Data and Information		3	3	9	- Schedule of statutory returns has been incorporated into the Strategy and Performance team's work programme - Specialist members of the team for each area - Other staff trained to provide 'back up' for specialist members of the team - Good project planning in place to co-ordinate all data collections including contributions from other services		1	3	3		Assistant Director, Strategy, Performance and Corporate Transformation (Naheed Chaudhry)
12	Education	<b>Funded childcare places for two, three and four year olds of working parents</b> The Council is unable to provide sufficient places within the local sector to fulfil its Statutory Duty	<b>Cause(s):</b> - Early Years Provider businesses failing financially as a result of Covid 19 closures and impact on the childcare sector - Insufficient places within local sector resulting in Local Authority failure to meet its statutory duty - Inability to fully implement IT system to support parental registrations, provider contracts and efficient and timely processing of funding claims  <b>Effect(s):</b> - Parental dissatisfaction (availability of places or Parental Portal system failures) - Official notification from DfE regarding failure to fulfil statutory duty - Delays in payment to providers, destabilising local businesses and businesses and loss of confidence in LA's processes.	Political, Reputational		2	3	6	- Work to stimulate the market has increased capacity overall and work continues, local pockets at low risk of pressure exist. - These may be exacerbated by impact of C-19 pandemic - Monitor eligibility, confirmations and take up of places to predict growth of demand, weekly data monitoring of attendance and unmet demand - IT funding system resolution rollout progressing well, with automated monthly payments to settings from September 2020 supporting financial stability for settings.		2	3	6	- IT solution implementation to include development of parental portal - Development of Census product to provide access to regular data for sufficiency monitoring and evaluation. - Updated Sufficiency report to be completed spring 21	Director, Education (Jared Nehra)
13	Education	<b>Speech and Language Therapy</b> Failure to provide appropriate SaLT services to children and young people	<b>Cause(s):</b> - Current service provision not meeting needs of children and young people in a timely way  <b>Effect(s):</b> - Failure to meet the need of children and young people including those with SEN/D and other vulnerabilities	Legal Reputational Professional		4	3	12	- Review of service undertaken to consider impact and effectiveness of current provision and potential service improvements. - Identification of additional funding for 2019/20. £250,000 from BCF funding and £90,000 from Bromley Clinical Commissioning Group.		4	3	12	- Multi-agency review of SaLT provision underway. - Further review of how SaLT is delivered within Bromley is also underway, reporting November 2020. - Occupational Therapy - urgent actions being taken to identify support for EHCP Needs Assessments professional advice - sourcing urgent specialist	Director of Education (Jared Nehra)
14	Strategy, Performance and Corporate Transformation	<b>Social Care Information System</b> Failure to procure and implement new system	<b>Cause(s):</b> - Failure to establish tender specification of need - Failure to procure within budget - Failure to retain Programme Manager and appoint team to manage implementation - Failure to effectively implement and go live  <b>Effect(s):</b> - Failure to safeguard vulnerable children and adults - Failure to manage children and adult records effectively - Failure to meet regulators expectations (Ofsted)	Financial Legal Data		4	5	20	- Programme Board established providing governance - Multi-disciplinary 'SCIS' team appointed and contracts secured. - Procurement strategy agreed, tenders evaluated, programme within budget, award of contract brought forward to May 2020 from July. - SCIS team influencing Transformation work streams to maximise digitalisation opportunities.		2	2	4	- Implementation phase development ongoing – reflective of Covid19 impact Go live on schedule for April 2022.	Assistant Director, Strategy, Performance and Corporate Transformation (Naheed Chaudhry)

## Children, Education and Families Risk Register - Appendix C4

Q2 2020/21

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					LIKE LIHO OD	IMPA CT	RISK RATTI NG	LIKE LIHO OD	IMPA CT		RISK RATTI NG						
15	Education	<b>School Attendance</b> Ensuring return of children to school	<b>Cause(s):</b> - Children not returning to school following Covid-19 lockdown - Increased EHE declarations  <b>Effect(s):</b> - Children may not be in receipt of satisfactory education	Legal Reputational		3	4	12	-EWOs support schools with improving attendance -EHE officers monitor and follow up on new EHE cases & CSC involvement checked -Mental health and wellbeing initiatives being prioritised		2	4	8	Further monitoring of EHE and non-attendance, working closely with schools	Director of Education (Jared Nehra)		

## Corporate Services Risk Register - Appendix C5

											DATE LAST REVIEWED:	18/08/2020	
REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			FURTHER ACTION REQUIRED	RISK OWNER
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING		
1	Corporate Services	<b>IT Security failure</b>	<p><b>Cause(s):</b> Failure of IT Security (responsibility across Bromley &amp; BT) to manage risk of attack or intrusion leading to potential corruption / loss of data / loss of systems</p> <p><b>Effect(s):</b> Loss of service, potential fines, resident dissatisfaction</p>	Data and Information	4	5	20	<ul style="list-style-type: none"> <li>- Application of effective security management including effective application of anti-virus protection and security measures through the IT Contract with BT</li> <li>- Regular Penetration Testing undertaken</li> <li>- Information Security Team in place</li> <li>- Patch updates undertaken regularly</li> <li>- IG training programme</li> <li>- PSN Compliant</li> </ul>	2	5	10		Vinit Shukle
2	Corporate Services	<b>Telecommunications failure</b> Prolonged telecoms / switchboard failure	<p><b>Cause(s):</b> Power surge, contractor failure, malicious attack, IT failure</p> <p><b>Effect(s):</b> Widespread disruption across the Council</p>	Data and Information	3	5	15	<ul style="list-style-type: none"> <li>- Stand-by arrangements available so that in the event of failure highest priority services can be recovered</li> <li>- Technical design takes into account the criticality of systems and ensures, where justified, that additional resilience is built in</li> <li>- All Critical Services now have additional independent lines as contingency (if not their first line)</li> <li>- Additional resilience in use of LBB mobile phones</li> <li>- The ICT Disaster Recovery Plan is in progress</li> <li>- Working with BT to implement disaster recovery arrangements as part of new backup contract</li> <li>- Effective application of anti-virus protection and security measures through the IT contract with BT</li> </ul>	2	3	6	<ul style="list-style-type: none"> <li>- Virtualisation project will help facilitate disaster recovery provision</li> <li>- Secondary Session Initiation Protocol (SIP) connection being added to provide resilience.</li> </ul>	Vinit Shukle
3	Corporate Services	<b>IT System Failure (partial loss)</b> Partial loss of IT systems	<p><b>Cause(s):</b> Failure of Outlook or similar applications Failure of Novell Filing Registry system which carries details of all departmental files</p> <p><b>Effect(s):</b> Widespread disruption across the Council</p>	Data and Information - Operational	4	4	16	<ul style="list-style-type: none"> <li>- Effective incident management / support and resilient systems in use so that single points of failure are minimised</li> <li>- Technical design that takes into account the criticality of systems and ensures, where justified, that additional resilience is built in</li> <li>- Ensure proactive monitoring tools are in place to highlight potential issues before there is a major incident</li> <li>- System now migrated to the server</li> <li>- No longer dependent on Win7 - all services successfully transferred. However, the Novell filing registry/Regnet system has no further upgrade options and is not compatible with Win10 which will be deployed before December 2019 (Win7 support expiry date)</li> </ul>	4	3	12	<p>The Norwell System is currently used by legal team for historical file information only on a 'stand alone' PC. As part of any future platform upgrades, investigation will need to be carried out as to whether this option is still viable (by way of impact assessment) or look at migrating the historical data into Norwel (the current system).</p>	Vinit Shukle
4	Corporate Services	<b>IT System Failure (total loss)</b> Complete failure of IT systems resulting in widespread disruption across the Council	<p><b>Cause(s):</b> Complete loss of data centre and related hardware</p> <p><b>Effect(s):</b> Widespread disruption across the Council Financial loss Reputational impact</p>	Data and Information - Operational	3	5	15	<ul style="list-style-type: none"> <li>- Effective incident management / support and resilient systems in use so that single points of failure are minimised</li> <li>- Technical design that takes into account the criticality of systems and ensures, where justified, that additional resilience is built in</li> <li>- Ensure proactive monitoring tools are in place to highlight potential issues before there is a major incident</li> <li>- Backup power arrangements in the event of power issues (most likely)</li> <li>- Server room has fire suppression, water detection and significant physical security measures have been undertaken.</li> </ul>	2	4	8	<ul style="list-style-type: none"> <li>- Property are planning additional works to resolve the issues that caused the outages, but until then we remain at an elevated risk.</li> </ul>	Vinit Shukle
5	Corporate Services	<b>Network Loss</b> Loss of the customer service centre network as a result of a major malfunction of the council's network, leading to system access loss preventing staff from processing service requests.	<p><b>Cause(s):</b> Major malfunction of council's network caused by Cyber Attack or other means</p> <p><b>Effect(s):</b> Loss of system access Service Disruption Reputational impact</p>	Data and Information - Operational	3	3	9	<ul style="list-style-type: none"> <li>- Existing local resilience procedures (over Liberata network via Citrix)</li> <li>- Business Continuity Plan and manual procedure plans in place</li> <li>- Prepared for use of smart telephony messaging, web banner message and reception signage</li> </ul>	3	2	6		Vinit Shukle

## Corporate Services Risk Register - Appendix C5

											DATE LAST REVIEWED:	18/08/2020	
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					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING		
6	Corporate Services	<b>Budgetary overspend</b>	<b>Cause(s):</b> Overspending budgets as a result of increased costs outside Council's direct control (e.g. increase in minimum wage, court / legal fees)  <b>Effect(s):</b> Financial	Economic - Strategic	4	3	12	- Effective forward budgetary planning - On-going engagement with stakeholders - On-going management of costs, demand forecasting, allocation of existing resources	3	3	9	- Identify "risk areas" (e.g. contracts using low paid labour)	Director of Corporate Services
7	Corporate Services	<b>Failure to follow Legal Advice</b> Breach of law, statutory duty or carrying out inadequate consultation arising from failure of clients to follow Legal briefing procedures	<b>Cause(s):</b> Advice not being sought and/or followed by clients.  <b>Effect(s):</b> - Breach of statutory obligations through failure of compliance with relevant legislation (e.g. 'Duty to Consult', EU Procurement Rules, Health and Safety etc.) leading to adverse publicity and significant costs including fines. - Council making unlawful decisions - Potential compensation to injured parties - Negative publicity - Potential judicial reviews	Legal - Operational	3	3	9	- Service procurement procedures reviewed for robustness - Register of all relevant statutory requirements - Regular review of compliance - Effective training of managers in requirements of relevant legislation - Systematic consultation - Robust internal customer service standards and service delivery meetings - Continuous learning and feedback - Statutory requirements (awareness and training)	2	3	6		Director of Corporate Services
8	Corporate Services	<b>Data Protection Breach</b>	<b>Cause(s):</b> Failure to adapt to the upcoming change in legislation (GDPR) Failure to ensure the confidentiality, integrity, and availability of information assets.  <b>Effect(s):</b> 1. Distress and/or physical impact on wellbeing of customers 2. Impact on operational integrity 3. Reputational damage to services and the authority as a whole 4. Liability in law 5. Economic damage to authority and/or customers 6. Impact on service take up due to reduced confidence from the public	Data and Information - Operational	4	5	20	- LBB is currently compliant with the Public Services Network Code of Connection (PSN CoCo) and Connecting for Health Information Governance Toolkit (CfH IGT). The LBB Information Governance Board formally accepted the CfH IGT as the basis of LBB's internal information governance program at their meeting in August 2012. Both standards are based on the ISO27001 international best practice standard for managing information security and are therefore fit for purpose for assessing and managing the Council's information risk - <b>GDPR Training programme in place</b> - <b>Induction programme in place</b> - <b>Additional resources to manage risk</b>	2	3	6		Director of Corporate Services
9	Corporate Services	<b>Failure to publish Register of Electors</b>	<b>Cause(s):</b> Failure of IT systems Insufficient resources provided to Electoral Registration Officer to deliver a comprehensive canvass Failure to follow legislative and regulatory requirements  <b>Effect(s):</b> Disenfranchisement of local residents Potential to challenge any election which relies on an inadequate register Reputational damage	Political - Strategic	2	3	6	<b>Controls:</b> 1. Project Plan including detailed Risk Register 2. Robust documented internal procedures 3. Monitoring by Electoral Commission through appropriate Performance Standards	1	3	3		Carol Ling

## Corporate Services Risk Register - Appendix C5

										DATE LAST REVIEWED:	18/08/2020		
REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			FURTHER ACTION REQUIRED	RISK OWNER
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING		
10	Corporate Services	<b>Failure to manage election process</b>	<b>Cause(s):</b> Failure of Council in its duty to provide sufficient resources to the Returning Officer Failure of IT systems  <b>Effect(s):</b> Costs of dealing with a challenge to election process Reputational damage Cost of re-running an election if result is set aside	Political	3	4	12	- Project Plan including detailed Risk Register specific to election underway - Staff Training - Adequate insurance (Returning Officer - personal liability) - Monitoring by Electoral Commission through appropriate Performance Standards.	2	3	6		Carol Ling
12	Corporate Services	<b>Effective governance and management of contracts</b>	<b>Cause(s):</b> - Lack of clear management across contracts - Capacity and capability - Contract management processes ineffective - Organisational culture and understanding  <b>Effect(s):</b> - Financial losses - Service disruptions - Poor quality services	Procurement & Contracts	3	4	12	- Contract Procedure Rules and regular Practice / Guidance notes to all Contract Owners - Review of contract management and contract monitoring controls including any issues identified by internal audit - Contracts Database and Quarterly Contracts Database Report to all relevant Committees - Procurement Board oversight - Member scrutiny including regular Contract Monitoring Reports for £500k+ contracts - Regular programme of training delivery to staff - Quarterly Contract Owners meetings	3	4	12	- Contract Management guidance on toolkit to be reviewed - Review of Contract Procedure Rules - Ongoing training delivery - Improve compliance with annual Contract Monitoring Requirement	Service Directors supported by Assistant Director, Governance and Contracts
13	Corporate Services	<b>Database Utilisation</b>	<b>Cause(s):</b> - Lack of organisational buy-in from contract managers - Lack of governance - Poor awareness / education in understanding purpose  <b>Effect(s):</b> - Impacts upon decision making and outcomes - Poor quality data - Commissioned services not fit for purpose - Increased financial costs	Procurement & Contracts	3	3	9	1. Database guidance issued to officers 2. Follow-ups issued to remind contract managers and commissioners 3. Quarterly Member reporting 4. Sign-off by CLT	3	3	9	1. Ongoing monitoring of database to ensure it remains accurate and comprehensive.	Assistant Director, Governance and Contracts

Remember to consider current Internal Audit priority one recommendations when identifying, assessing and scoring risks.

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## Environment & Public Protection (E&PP) Risk Register - Appendix C6

No.	E&PP RISK REF	DIVISION	RISK TITLE & DESCRIPTION	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK			DATE LAST REVIEWED:	RISK OWNER
						LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING	FURTHER ACTION REQUIRED	21.09.20
1	1	All E&PP	<b>Emergency Response</b> Failure to respond effectively to a major emergency / incident internally or externally	<b>Cause(s):</b> -Emergency may be triggered by storms, floods, snow, extreme heat or other emergency. Ineffective response could be caused by capacity and/or organisational issues  <b>Effect(s):</b> - Failure to fulfil statutory duties in timely manner - Disruption to infrastructure and service provision in general	Service Delivery	2	4	8	1. Corporate Major Emergency Response Plan 2. Adoption of Standardisation Process in terms of Emergency Response 3. Business Continuity Policy & Strategy and associated Service Business Continuity Plans 4. Out-of-Hours Emergency Service 5. Winter Service Policy and Plan (reviewed annually) 6. Ongoing training, Testing and Exercising programme 7. Multi-agency assessment of emergency risks 8. Training Programme delivered for volunteers in respect of Standardisation Process 9. Implementation of 'on-call rota' for Emergency Response Manager and at Director level 10. Multi-agency forum for emergency preparedness, response and recovery planning within the Borough	2	3	6	1. Delivery of the Business Continuity Management process by CLT 2. Development of risk-specific arrangements based upon London Resilience frameworks, informed by the Borough Community Risk Assessment 3. Recruit and train more Emergency Response Volunteers 4. Implementation of the Resilience Standards For London	David Tait
2	2	All E&PP	<b>Central Depot Access</b> Major incident resulting in loss of / reduced Depot access affecting service provision (LBB's main vehicle depot)	<b>Cause(s):</b> -Fire, explosion, train derailment, strike etc.  <b>Effect (s):</b> -Significant service disruption (Waste, Street Cleaning, Gritting, Fleet Management, Streetscene & Greenspace service management etc.)	Service Delivery	4	3	12	1. Contingency plans for: - Alternative vehicle parking - Temporary relocation of staff - Storage of bulky materials 2. Implement Business Continuity Plans 3. Close liaison with other Depot users (e.g. Waste Contract, Street Cleansing) and Highways Winter Service Team 4. 'Central Depot Users Group' (Health & Safety forum for all site users) 5. Work Place Risk Assessments in place 6. Depot Insurance reviewed September 2019 to ensure full reinstatement cover is in place 8. Waste Service Change has incorporated separate battery collection which will reduce likelihood of fires from batteries in residual waste	3	3	9	1. Site re-development plans to include recommendations from fire safety audit. To include consideration of fire suppression systems	Paul Chilton
3	3	All E&PP	<b>Fuel Availability</b> Fuel shortage impacting on both LBB and service provider transport fleet	<b>Cause(s):</b> -National or local fuel shortage caused by picketing or other external factors  <b>Effect (s):</b> -Failure to provide services impacting on residents and other customers	Service Delivery	1	5	5	1. Identified alternative fuel supplies at contractors and neighbouring boroughs (corporate Fuel Disruption Plans based on National Plan are held by the Emergency Planning Team) 2. Designated Filling Station identified under National Emergency Plan by London Resilience Team as designated fuel supply for LBB logoed vehicles 3. Fuel store at Central Depot 4. Ongoing liaison with other London Boroughs concerning collaboration and assistance	1	4	4	1. Continue to monitor service provider arrangements for ensuring adequate fuel supply	Peter McCready
4	4	All E&PP	<b>Business Continuity Arrangements</b> Lack of up-to-date, tried and tested, BCP for all Council services	<b>Cause(s):</b> -Failure to implement and keep up-to-date effective service and corporate Business Continuity Plans  <b>Effect(s):</b> -Non-provision of critical services following an incident (internal or external)	Service Delivery	2	4	8	1. Corporate Risk Management Group now encompasses Business Continuity 2. Full suite of BC plans in place across all Directorates, including E&PP 3. Overarching corporate BC plan developed identifying prioritisation of all services 4. All E&PP BC plans now transposed on to new corporate BCP template 5. Corporate BC management policy & strategy document signed off by leader and chief exec 6. Ensure all service providers have up to date Business Continuity Plans	2	4	8	1. CLT adoption of BCM which will monitor delivery on behalf of COE going forwards. Current COVID-19 disruption to ways of working has tested BCPs during the largest disruption encountered in decades. ICT system failure has been identified as the largest risk and is outside the control of E&PP	David Tait
5	6	All E&PP	<b>Industrial Action</b> Contractors' staff work-to-rule / take strike action impacting on service delivery	<b>Cause(s):</b> -Union dissatisfaction over pay and conditions (particularly in Waste, Libraries)  <b>Effect (s):</b> -Temporary disruption to service / reduced customer satisfaction	Service Delivery	3	4	12	1. Ongoing monitoring / meetings regarding workforce issues 2. Joint development of Business Contingency Plans with Service Providers 3. Staff training and engagement built into the Environmental Services contracts	2	4	8	1. Review public communications to be used in the event of a strike 2. Staff training and engagement incorporated into communications with Library staff	Colin Brand
6	8	All E&PP	<b>Health &amp; Safety (E&amp;PP)</b> Ineffective management, processes and systems within E&CS departmentally	<b>Cause(s):</b> -Failure to take departmental action to reduce likelihood of accidents, incidents and other H&S issues  <b>Effect (s):</b> -HSE investigation / prosecution leading to fines, increased insurance claims, and reputational damage	Health & Safety	3	4	12	1. Workplace Risk Assessments (including lone and home working) 2. Accident & Incident Reporting system (AR3 & Riddor) 3. Contractor Inspection electronic Reporting system 4. Interface with Corporate Risk Management Group 5. Annual audits and annual paths surveys (Parks) 6. Cyclical 5-year survey of park trees and highway trees 7. Regular Footway inspections 8. Fire responsible persons list in place for all sites under the control of E&PP 9. EPP Health and Safety Committee meets regularly to review departmental Health and Safety arrangements 10. All corporate policies followed for COVID-19 risk assessments. Staff home working unless unable to do so.	2	4	8	1. Ensure Workplace Risk Assessments (inc. Homeworking) updated annually and biennial reviews conducted 2. Encourage reporting of all significant accidents and incidents using AR3 form (and reporting of RIDDOR incidents) 3. and ensure the necessary communication and training is provided. 4. Ensure resource exists to discharge statutory functions 5. Ensure any staff wishing to return to the office during COVID-19 have done so in accordance with all corporate processes and procedures.	Sarah Foster (Paul Chilton leading during COVID-19 whilst SF is seconded to Shielding, Volunteering and Assistance programme)
	12	Highways	<b>Highways Management</b> Deterioration of the Highway Network due to under-investment	<b>Cause(s):</b> -Failure to manage Highways in respect of traffic volumes, winter weather, financial resources leading to deteriorating condition  <b>Effect (s):</b> -Leading to increased maintenance costs, insurance claims (trips, falls and RTAs) and reputational damage	Financial	2	4	8	1. Strategy to mitigate insurance claims 2. Inspection regime and defined intervention levels for maintenance repairs and monitoring 10% of works for compliance 3. Winter Maintenance procedures (gritting / salting) 4. Increased salt storage capacity 5. Improved customer expectation management 6. Asset management technique (e.g. Highway Asset Management Plan) 7. New capital programme to reduce reactive works 8. Performance Management measures incorporated into Highways contract 9. Modernisation of contractor's programming and completion of maintenance repairs involving remote working ICT technology	3	2	6	2. Additional inspections carried out and repairs undertaken as necessary	Garry Warner

## Environment & Public Protection (E&PP) Risk Register - Appendix C6

No.	E&PP RISK REF	DIVISION	RISK TITLE & DESCRIPTION	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK			DATE LAST REVIEWED:	RISK OWNER
						LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING	21.09.20	
8	13	SSGS	<b>Arboricultural Management</b> Failure to inspect and maintain Bromley's tree stock leading to insurance claims etc.	<p><b>Cause(s):</b> -Failure to ensure that trees are managed as safely as reasonably practicable</p> <p><b>Effect (s):</b> -Leading to blocked highways, reputational damage and financial liabilities</p>	Financial	4	3	12	<ol style="list-style-type: none"> <li>1. Tree care and safety contract in place (new contract commenced April 2019)</li> <li>2. Full asset Survey of ~30% of street and park trees (and 50% of school trees)</li> <li>3. Risk trees identified and registered increased inspection frequency using asset management database (Confirm)</li> <li>4. Implement remedial works to address risk associated defects</li> <li>5. Review Tree Risk Management Strategy (annually)</li> <li>6. Review the 'Storm Strategy' annually to be able to respond quickly and call in additional staff, equipment and contractors</li> <li>7. Provide a cyclical safety survey and remedial works schedule commensurate to budget availability and potential prioritisation</li> <li>8. Work with FixMyStreet Officer (Secondment) to ensure enquiries are responded to as quickly as possible</li> </ol>	2	3	6	1. Recruitment of 1 FTE to ensure that the Arboriculture Team are up to full capacity and enabling tree surveying to be up to date.	Peter McCready
9	14	All E&PP	<b>Income Variation (Highways and Parking)</b> Loss of income when the Council is looking to grow income to offset reduced funding  *Note new COVID-19 specific parking risk addition at the end of this register	<p><b>Cause(s):</b> - Improved Street Works performance by utility companies (reduced fines) - Under-achievement of expected car parking income and parking enforcement, due to resistance to price increases and reduced incidents - Loss of income from Penalty Charge Notices for Bus Lane Enforcement activity - Reduction in Street Enforcement activity (Fixed Penalty Notices) - Failure of APCOA (new Parking contractor) to provide contracted services (e.g. strikes)</p> <p><b>Effect (s):</b> -Loss of income with potential to reduce service delivery funds</p>	Financial	3	3	9	<ol style="list-style-type: none"> <li>1. Regular income monitoring and review of parking tariff structures, including benchmarking Parking charges against other authorities and local private sector competitors</li> <li>2. Monitoring contractor performance (e.g. only issue good quality PCNs)</li> <li>3. Good debt recovery systems</li> <li>4. Monitoring parking use and avoid excessive charge increases</li> <li>5. Provide attractive, safe clean car parks</li> <li>6. Regular contractor meetings</li> <li>7. Monitoring of parking enforcement activity through Performance Indicators reported to PDS Committees (E&amp;CS, PP&amp;E)</li> <li>8. Scrutiny of APCOA at PDS meetings</li> </ol>	3	2	6	<ol style="list-style-type: none"> <li>1. Refine procedure for resolving disputes with utilities</li> <li>2. Review of parking tariff structures</li> <li>3. Monitor income trends</li> <li>4. Continue to monitor success in achieving enforcement objectives</li> <li>5. Intelligence-led targeting of hotspot sites for enforcement</li> <li>6. Review of further income opportunities as part of Council's Transformation agenda</li> </ol>	Colin Brand
10	15	SSGS	<b>Waste Budget</b> Increasing waste tonnages resulting in increased waste management costs	<p><b>Cause(s):</b> - COVID-19 pandemic has and will continue to impact the amount of waste generated by Bromley Households and Businesses. Increased home working and a move towards single use could increase waste tonnages and associated costs. - Failure to anticipate/manage waste management financial / cost pressures due to increasing landfill tax, increasing property numbers, declining recycling income (lower paper tonnages or rejected wet paper loads) and limited alternate treatment capacity. - Waste tonnage growing faster than budgeted or operational factors (i.e. adverse weather conditions, additional home working during COVID-19 etc.)</p> <p><b>Effect (s):</b> - Budgets being exceeded and potential knock-on impact on other Council services</p>	Financial	5	4	20	<ol style="list-style-type: none"> <li>1. Cost pressures recognised in Council's Financial Strategy</li> <li>2. Send virtually zero to landfill from April 2020, minimising any tax increase</li> <li>3. Continued focus on promoting waste minimisation and recycling (e.g. in Environment Matters and through targeted campaigns and initiatives e.g. the flats above shops pilot launched in September 2020)</li> <li>4. Reviewing and benchmarking operational costs to identify options</li> <li>5. Monitoring procedure in place (from December 2019) for the testing of paper loads to determine moisture content.</li> </ol>	3	4	12	1. Continue to work with Veolia to ensure that recycling services are offered to residents throughout the COVID-19 pandemic.	Peter McCready
11	18	All E&PP	<b>Town Centre Businesses and Markets</b> Loss of town centre businesses to competition and as a result of the COVID-19 pandemic	<p><b>Cause(s):</b> -COVID-19 Pandemic causing businesses and market traders to cease trading (temporarily or permanently) - Town centre social distancing measures resulting in a reduced amount of market stalls</p> <p><b>Effect(s):</b> -Reduction in high street business and market stall occupancy -Loss of income (Business rates and market stalls) -Poor public perception and negative publicity</p>	Financial	5	3	15	<ol style="list-style-type: none"> <li>1. BID Teams organise town centres events</li> <li>2. Investment in Orpington High Street and Bromley North (done)</li> <li>3. Regular advertising / promotion of markets and availability of stalls</li> <li>4. Review of Market operational costs to reduce costs where possible (a new Market Strategy is under development and will be delivered from 2020/21)</li> <li>5. Regular maintenance and renewal of market infrastructure - recent market relocation project has been completed and feedback from traders is positive</li> <li>6. Markets Manager attends regular strategy meetings with BIDs and has provided guidance for a new town centre (BID) framework agreement</li> </ol>	2	3	6	<ol style="list-style-type: none"> <li>1. Ongoing review of market provision linked to outsourcing service provision</li> <li>2. Detailed annual action plan to be drawn up for each town centre</li> </ol>	Colin Brand
39		All E&PP	<b>Staff Resourcing and Capability</b> Loss of corporate memory and ability to deliver as key staff leave (good new staff are at a premium)	<p><b>Cause(s):</b> -Availability of suitably qualified / experienced staff to replace retirees and leavers. Particular problem within Planning, Environmental Health and Traffic professionals (TfL offers better remuneration and career progression). Lack of incentive for good staff to remain at LBB.</p> <p><b>Effect (s):</b> -Loss of organisational memory, greater reliance on contracted staff, delays in delivering services / plans (e.g. Transport Local Implementation Plan). Inability to effectively manage contracts as Contract Managers may have started out in a different role (i.e. as Service Managers) and do not have the necessary expertise to do so (i.e. auditing).</p>	Service Delivery	3	4	12	<ol style="list-style-type: none"> <li>1. Ongoing programme to find and retain quality staff through internal schemes such as career grades and ongoing CPD</li> </ol>	3	3	9	<ol style="list-style-type: none"> <li>1. Consider potential for contractors to supply necessary skills</li> <li>2. Review options with HR for incentivisation schemes to ensure staff recruitment and retention is high</li> <li>3. Existing controls are not currently sufficient to maintain the staff quota within the Arboriculture team. Explore apprenticeship scheme as a possibility to ensure this team can maintain deliverables of the service in terms of client inspections and reporting. Enlist contractor to assist with tree survey backlog.</li> </ol>	Colin Brand



## Environment & Public Protection (E&PP) Risk Register - Appendix C6

No.	E&PP RISK REF	DIVISION	RISK TITLE & DESCRIPTION	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK			DATE LAST REVIEWED:	RISK OWNER
						LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING	21.09.20	
13	41	All E&PP	<b>Climate Change</b> Failure to adapt the borough and Council services to our changing climate	<b>Cause(s):</b> -Severe weather events including extreme heat, storms, floods etc. <b>Effect (s):</b> -Resulting in threats to service provision, environmental quality and residents' health in addition to reputational damage caused by perceived lack of action to tackle climate change	Service Delivery	3	4	12	1. Adopt best adaptation practice as identified through London Climate Change Partnership, UK Climate Impacts Programme, and the Local Adaptation Advisory Panel 2. Implementation of LBB's Carbon Management Programme 3. LBB Surface Water Management Plan and Draft Local Flood Risk Strategy 4. Establish net zero (direct) carbon emissions target for 2029 as part of 10 year climate plan	2	4	8	1. Emergency Planning to liaise with Public Health on cross-cutting issues e.g. excess summer deaths and vector-borne disease etc. 2. Detailed climate action plan to be developed as part of ongoing Carbon Management Programme, in order to achieve net zero carbon emissions by 2029	Sarah Foster (Colin Brand leading during COVID-19 whilst SF is seconded to Shielding, Volunteering and Assistance programme)
14	25	Public Protection	<b>Income Reconciliation (Public Protection Licensing)</b> Uncertainty around income reconciliation when the Council is looking to grow income to offset reduced funding	<b>Cause(s):</b> - Lack of processes to reconcile actual licence fee income against expected income held on service specific IT systems. <b>Effect (s):</b> - Loss of income with potential to reduce service delivery funds - Reputational damage	Financial	3	2	6	1. Regular income monitoring 2. Good debt recovery systems 3. Monitoring of activity through Performance Indicators 4. Continual Benchmarking of licensing charges against other authorities	3	2	6	1. Refine procedure for reconciliation of expected income against actual and provide suitable training for staff to deliver this	Joanne Stowell
15	26	SSGS	<b>Income Reconciliation (Waste Management)</b> Uncertainty around income reconciliation linked to the mobilisation of new waste contracts	<b>Cause(s):</b> -Lack of integration between client and service provider IT systems so that data is not linked - Loss of income due to the closure of some businesses during the COVID-19 pandemic <b>Effect (s):</b> - Loss of income from Commercial Waste and Green Garden Waste services with potential to reduce service delivery funds - Costs incurred as a result of additional last minute resources required to deliver services - Reputational damage	Financial	3	2	6	1. Regular income monitoring 2. Good debt recovery systems 3. Monitoring of activity through Performance Indicators 4. Suspend commercial accounts allowing the businesses to return once open following the COVID-19 pandemic.	1	2	2	1. Refine procedure for reconciliation of expected income against actual and provide suitable training for staff to deliver this. 2. Project in 2020/21 to review the platform under which the garden waste and commercial waste service are hosted on. 3. Work with Veolia to review the commercial waste service offer to businesses with a view to provide a recycling offer and grow the commercial waste customer base.	Peter McCready
16	28	Public Protection	<b>Dogs and Pests Contract</b> Failure to deliver the contract to the required service levels	<b>Cause(s):</b> -Lack of robustness within contract specification in terms of contract deliverables and Key Performance measures <b>Effect (s):</b> -Inability to deliver statutory functions -Reputational damage	Service Delivery	3	2	6	1. Identification of named Contract Manager 2. Regular contract management meetings with service provider 3. Review of contract specification to identify change control requirements (a contract change notice regarding a change to invoicing was signed in August 19).	2	2	4	This contract is now running well, the contract is due to be extended for 1 year and no action is required at this time.	Joanne Stowell
17	29	Public Protection	<b>Out of Hours Noise Service</b> Failure to deliver statutory services	<b>Cause(s):</b> The out of hours noise service is dependant on grant funding from the Mayors Office for Policing & Crime (MOPAC) by way of the Local Crime Prevention Fund. This grant is released on a 2 year cycle, current cycle ends March 2021. The grant was reduced in 2017 and there is no guarantee it will be sustained post April 2021. The service is staffed on a voluntary basis. <b>Effect:</b> Inability to deliver Out of Hours Noise Service.	Service Delivery	3	4	12	1. Annual review with MOPAC on service outcomes	3	4	12	1. Meetings with MOPAC to ensure early warnings of any change to funding levels. MOPAC funding is outside of the control of LBB. 2. Review the Service offer	Tony Baldock
18	30	Public Protection	<b>Integrated Offender Management</b> Failure to contribute to IOM in Bromley	<b>Causes:</b> -IOM functions are reliant on grant funding from MOPAC via the LCPF, equates to one day per week. Reduction or cessation of grant after April 2020. <b>Effect:</b> -Inability to contribute to IOM in Bromley.	Service Delivery	3	4	12	1. Annual review with MOPAC on service outcomes	3	4	12	1. Meetings with MOPAC to ensure early warnings of any change to funding levels. MOPAC funding is outside of the control of LBB.	Tony Baldock
	31	Public Protection	<b>Anti-Social Behaviour Co-Ordinator post:</b> Failure to deliver ASB problem solving and partnership activity	<b>Cause(s):</b> -Grant from MOPAC via the LCPF is used to fund the ASB Co-ordinator post which is responsible for delivering targeted ASB project work across the borough with partner agencies. Reduction or cessation of grant after April 2021. <b>Effect:</b> -Inability to fund this post would result in the cessation of targeted ASB work with partners across the borough. Funding for this post was reduced in 2018 and the shortfall was met by LBB. LBB continue to meet the slight shortfall in 2019.	Service Delivery	3	4	12	1. Review of project outcomes to determine whether they can be delivered on a reduced budget with LBB contributions in kind	3	4	12	1. Review of Community Safety functions to allow for MOPAC project delivery on reduced days per week. MOPAC funding is outside of the control of LBB.	Tony Baldock

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## Finance Risk Register - Appendix C7

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			DATE LAST REVIEWED:	14/09/2020
					Likelihood	Impact	Risk Rating		Likelihood	Impact	Risk Rating	FURTHER ACTION REQUIRED	RISK OWNER
1	Finance	<b>Failure to ensure sufficient cover of Council assets</b> This could result in the possibility of our insurance company refusing to cover a claim above the level of our current excess (£125k for general property and Liability, £250k for educational property).	<b>Cause(s):</b> 1. Incorrect/incomplete asset/risk data provided to insurer. 2. Total level of insurance insufficient e.g. to cover damage to multiple high value assets. 3. Uninsurable risks e.g. criminal/regulatory fines. <b>Effect(s):</b> Inadequate or no insurance cover could have significant financial implications, dependent on the value of the asset and the extent of the damage / loss.	Financial - Operational	1	4	4	1. Annual review during renewal process of all property, vehicle and school journey schedules 2. Maintain a register of all insurance premiums paid each year 3. Independent review of Council's self-insurance Claims fund by professional actuaries every 3 years 4. Endorsement under buildings insurance policy to cover up to £10m for inadvertent omission to insure property 5. Buildings insurance policy excess per event to protect Council for damage to multiple properties as a result of single event e.g. Flood/Storm	1	3	3		Viknesh Gill
2	Finance	<b>Financial Market Volatility</b> Financial loss arising from the volatility of financial markets.	<b>Cause(s):</b> Market volatility, recession, banking failure <b>Effect(s):</b> We do not maximise our interest earnings on balances and could also suffer the following issues - Liquidity, Interest rate, Exchange rate, Inflation, Credit and counterparty, Refinancing, legal and regulatory risks	Financial - Operational	3	5	15	1. Regular strategy meetings 2. Use of external advisors 3. Internal Audit review of activities 4. Quarterly reporting to E,R&C PDS Committee (Members) 5. Adoption of CIPFA Treasury Management Code of Practice 6. Regular meetings / discussions with external auditors 7. Treasury management strategy	2	4	8		David Dobbs
3	Finance	<b>Capital Income Shortfall</b> Inability to generate capital receipts	<b>Cause(s):</b> Property price reductions as a result of the economic environment. Falling number of assets available for disposal <b>Effect(s):</b> Financial	Economic - Strategy	4	4	16	1. Close monitoring of spend and income 2. Reporting to Members 3. Tight control of spending commitments 4. Quarterly reports on capital receipts (actual and forecast) to Executive.	3	3	9		David Dobbs
4	Finance	<b>Pension Fund</b> The pension fund not having sufficient resources to meet all liabilities as they fall due	<b>Cause(s):</b> 1. Investment markets fail to perform in line with expectations 2. Market yields move at a variance with assumptions 3. Investment managers fail to achieve their targets over the longer term 4. Longevity horizon continues to expand. Although the triennial valuation reported that the Council's pension fund is fully funded, there is a need to address a future risk of the pension fund not having sufficient resources 5. Deterioration in pattern of early retirements 6. Administering authority unaware of structural changes in an employer's membership e.g. large fall in employee members, large number of retirements 7. Mandatory pooling of investments (London CIV) may result in appointment of poorer performing investment managers. <b>Effect(s):</b> Financial	Financial - Operational	3	5	15	1. Use of external advice. 2. Financial: Monitoring of investment returns - analysis of valuation reports 3. Demographic: Longevity horizon monitored at triennial reviews - quarterly review of retirement levels 4. Regulatory: Monitor draft regulations and respond to consultations - actuarial advice on potential where appropriate 5. Internal audit review of activities, performance, controls etc. 6. Quarterly reports to Pensions Investment Sub-Committee 7. Funding Strategy Statement 8. Statement of Investment Principles 9. Communications Policy 10. Governance Policy 11. Triennial valuation by actuary 12. Strategic asset allocation review.	2	4	8		Director of Finance
5	Finance	<b>Failure to deliver a sustainable Financial Strategy which meets with BBB priorities and failure of individual departments to meet budget</b>	<b>Cause(s):</b> 1. The 2020/21 Council Tax report identified the need to reduce the Council's 'budget gap' of £16.9m per annum by 2023/24. Funding changes have been announced in the One Year Local Government Finance Settlement 2020/21. 2. The Government recently announced a delay in the Fair Funding review and devolution of business rates until 2022/23 (delayed a further year). It is likely, therefore, that there may be a one year settlement and the delay in the Fair Funding Review creates greater financial uncertainty relating to the impact on 2022/23 and beyond. A significant challenge to the current year's financial position relates to the impact of COVID-19 and the extent to which the Government funds the net cost to the Council. Examples of the financial impact include: (a) Additional costs relating to direct support, enhancements to contract prices during this interim period (where necessary), additional staffing support, provision of new services, mortuary costs etc.; (b) Planned budget savings which cannot be delivered during this period; (c) Loss of income which includes, for example, car parking and enforcement, business rates, council tax collection, rent income from investment properties and treasury management. Although it is not possible to accurately estimate the financial impact, an initial estimate of the total net cost including income losses is expected to significantly exceed the current level of Government funding provided of £16.6m. The main element of financial loss relates to income reductions ranging from car parking to collection of council tax and business rates. It is not clear whether the government will fully compensate councils for any income losses or non-delivery of planned budget savings and there is likely to be resultant financial impact on the Council's four year financial forecast relating to the 'new normal' in future years, which cannot be quantified at this stage. 3. Failure to meet departmental budgets due to increased demand on key services resulting in overspends: (Housing (homelessness and cost of bed and breakfast), Social Care (welfare reform and ageing population); and Waste (growing number of households). 4. The risk of the Council not being able to carry out its statutory duties (e.g. pupil admissions, school improvement, child protection) as a consequence of funding reductions. 5. Dependency on external grants to fund services (schools and housing benefits are ring-fenced) - effect if grant reduces (Public Health services) or ceases. 6. The new national living wage will have cost implications to the Council over the next few years (e.g. care providers and carers). 7. Local government may be required to take on new funding responsibilities in the future without adequate funding. 8. Impact of welfare reforms and the phased roll out of Universal Credit. 9. Failure to identify and highlight frauds and weaknesses in the system of internal control (which invariably have a financial impact). Overall, fraud losses are mainly benefit related (Council Tax Support / Single Person Discount). <b>Effect(s):</b> - Increased overspends in particular services - Council unable to carry out its statutory duties due to services cuts - Reputational damage	Financial - Operational	5	5	25	Strategic Controls: 1. Regular update to forward forecast 2. Early identification of future savings required 3. Transformation options considered early in the four year forward planning period 4. Budget monitoring to include action from relevant Director to address overspends including action to address any full year additional cost 5. Mitigation of cost pressures including demographic changes 6. Quarterly review of growth pressures and mitigation. 7. Apart from 'One Bromley' projects there are opportunities for the Transformation Reviews and Core Statutory Minimum Reviews.  Operational Controls: 1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports 2. Departmental risk analysis 3. Reporting of financial forecast updates in year to provide an update of financial impact and action required 4. Obtain monthly trend / current data to assist in any early action required 5. Obtain regular updates / market intelligence 6. Reporting full year effect of budget variations 7. Analysis of government plans and changes	4	5	20	The council is undertaking a review to determine the core statutory minimum service requirements and exploring transformation opportunities to help meet the ongoing budget gap	Director of Finance
6	Finance	<b>Failure to act upon Financial assessments or arrears in a timely manner</b>	<b>Cause(s):</b> 1. Severe/catastrophic IT problems 2. Loss of key staff 3. Organisation experiencing severe financial problems <b>Effect(s):</b> Loss of income	Financial - Operational	3	3	9	Controls: 1. There is a disputed debt process that is followed to ensure that departments do not hold up debt recovery (i.e. actioning write offs and disputes). 2. All outstanding Financial Assessments are completed in accordance with the agreed timescales 3. Monitoring is carried out on a regular basis to ensure financial assessments are completed and contributions are set up on CareFirst in order for service users to be charged 4. Effective SLA is in place	2	3	6		Claudine Douglas-Brown
7	Finance	<b>Failure of Finance IT systems</b>	<b>Cause(s):</b> Failure of CareFirst or the various databases Oracle cheques not being produced Failure of BACs to pay LBB <b>Effect(s):</b> Inability to pay creditors, calculate payments due to our suppliers / foster carers (Payments Team) or to accommodate charging information for billing clients which could result in fines, penalties and loss of goodwill / reputation.	Contractual and Partnership - Operational	3	2	6	1. CareFirst has replaced the majority of the databases used in Finance for ECHS payments 2. All systems are backed up daily 3. If systems fail, new databases can be built and/or manual calculations for charges or payments could be made 4. Manual cheque payments could be raised 5. Close liaison with Liberata (and sub contracted company Xerox) to discuss any problems - escalation procedure works well 6. Alternative printers being available at Xerox reduces the risk of cheques not being produced due to printer failure 7. Stock control measures in place to ensure cheques are ordered in time 8. BACS payments increasing - solid and dependable	2	2	4	Implications of any replacement to Carefirst will need to be monitored closely, and preventative action taken to mitigate risk	Claudine Douglas-Brown
8	Finance	<b>Failure of external contractors</b>	<b>Cause(s):</b> Contractor ceases to trade due financial failings. <b>Effect(s):</b> disruption and delays to key services, financial loss and adverse publicity	Contractual and Partnership - Operational	3	4	12	1. Constant review of contractors financial standing 2. Maintaining knowledge and contact with alternative service suppliers	2	3	6		Claudine Douglas-Brown
9	Finance	<b>Contractor Poor Performance</b> Contractor fails to meet performance expectations across Revs & Bens, Payroll, Pensions, Debtors and Accounts Payable	<b>Cause(s):</b> Severe catastrophic IT problems Loss of key staff Organisation experiencing severe financial problems <b>Effect(s):</b> - Delay / non payment of suppliers, customers, staff salaries, pensions. - Increase in fraudulent payments - Delayed or non repayment from debtors  Resulting in loss of income, increased costs, increase in complaints and subsequent loss of good will and / or reputational damage.	Financial - Operational	3	3	9	1. Effective SLAs and contracts in place 2. Regular operational and strategic meetings monitoring progress and identifying action required 3. Action identified and formally agreed when monitoring key performance areas 4. Formal structures and procedures in place for monitoring and corrective action to minimise risk 5. Process reviewed on an ongoing basis 6. Weekly monitoring of complaints and patterns identified	2	3	6		Claudine Douglas-Brown

## Finance Risk Register - Appendix C7

REF	DIVISION	RISK TITLE & DESCRIPTION <small>(a line break - press alt &amp; return - must be entered after the risk title)</small>	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING <small>(See next tab for guidance)</small>			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING <small>(See next tab for guidance)</small>			DATE LAST REVIEWED:	14/09/2020
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING	FURTHER ACTION REQUIRED	RISK OWNER
10	Finance	<b>Significant Fraud/Corruption</b>	<p><b>Cause(s):</b> Lack of controls Dishonest staff/suppliers/customers Collusion Poor systems Lack of Management oversight Inadequate segregation of duties</p> <p><b>Effect(s):</b> Financial loss Adverse publicity/reputational damage Staff morale lowered Resource implications for investigation</p>	Financial - Operational	3	3	9	1. Staff vetting 2. Segregation of duties 3. Documented procedures/regulations/code of conduct 4. Whistleblowing policy 5. Fidelity guarantee 6. IT security 7. Robust computer systems/audit trail 8. Counter Fraud staff 9. Internal/External audit	2	2	4		David Hogan

Remember to consider current Internal Audit priority one recommendations when identifying, assessing and scoring risks.

## Housing, Planning and Regeneration Risk Register - Appendix C8

Q2 2020/21

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)					EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)					FURTHER ACTION REQUIRED	RISK OWNER
					LIKE LIHO OD	IMPA CT	RISK RATI NG	LIKE LIHO OD	IMPA CT		RISK RATI NG						
1	All	<b>Failure to deliver Housing Financial Strategy</b>	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Demand led statutory services which can be difficult to predict</li> <li>- High number of households meeting criteria for temporary accommodation</li> <li>- Lack of suitable housing in-borough</li> <li>- Impact of COVID-19 on tenancies including changes to government directives (such as Everyone In), increased placements and their cost, reduced rental income for properties and progressing building works</li> <li>- Increased costs at 2 Traveller Sites due to unexpected police operation. Lack of income as a result of un-tenanted pitches.</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Failure to achieve a balanced budget</li> </ul>	Financial	5	5	25	<ul style="list-style-type: none"> <li>- Match financial planning to Council priorities</li> <li>- Plans to deliver £11m of identified savings in Housing through work of Housing Transformation Board</li> <li>- Budget monitoring and forecasting</li> <li>- Regular reporting to CLT and Members via the Committee reporting process</li> <li>- Internal audit framework</li> <li>- Regular review of strategies to prevent homelessness and identify/develop temporary accommodation housing</li> <li>- Determination at planning stage to ensure collection of obligations due (S106)</li> <li>- Conditions attached to S106 funding received to ensure it is spent on preventing homelessness</li> <li>- Constantly reviewing service operations for potential efficiencies</li> <li>- Housing Strategy agreed by Council Executive - February 2020</li> </ul>	4	5	20	<ul style="list-style-type: none"> <li>- Housing Transformation Board to increase rate and pace of affordable housing supply. Six schemes approved by Members for progression.</li> <li>- Options appraisal on future housing delivery models completed and passed to Members for consideration. This includes seeking to maximise grants for future delivery.</li> <li>- Adjustments being made to sites. New traveller site manager in post; focus on site standards and rental collection.</li> </ul>	Director, Housing (Sara Bowrey)				
2	Housing Needs	<b>Failure to deliver effective Housing Needs services</b> The Council is unable to deliver an effective Housing Needs service to fulfil its statutory obligations	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- very demand led</li> <li>- lack of experienced staff</li> <li>- homelessness is increasing in number and complexity of cases needing maximisation of early intervention</li> <li>- Lack of awareness of where households need to approach services</li> <li>- Managing households approaching Council for help</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Failure to fulfil statutory obligations</li> <li>- Impact on life chances and outcomes for individuals and families in need of Housing Services</li> <li>- Reputational damage</li> <li>- Legal challenge</li> </ul>	Legal	4	4	16	<ul style="list-style-type: none"> <li>- Focus on preventing homelessness and diversion to alternative housing options through:-</li> <li>- Landlord and Tenancy advice support and sustainment</li> <li>- Assistance (including financial aid) to access the private rented sector</li> <li>- Access to employment and training</li> <li>- Debt, money, budgeting and welfare benefits advice, including assistance to resolve rent and mortgage arrears</li> <li>- Sanctuary scheme for the protection of victims of domestic violence</li> <li>- Implementing the Homelessness Strategy - setting up the multi-agency Homelessness Forum and taking forward the priorities of the Strategy</li> <li>- Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money</li> <li>- Housing Transformation Board programme being implemented</li> <li>- Implementation of the More Homes Bromley initiative to ensure the supply reduces the reliance on nightly paid accommodation</li> <li>- New incentive campaign for private sector landlords embedded and benefits being realised.</li> <li>- Housing Strategy agreed by Council Executive - February 2020</li> </ul>	2	4	8	<ul style="list-style-type: none"> <li>- Housing Transformation Board programme being implemented. Six schemes approved by Members for progression. Options appraisal on future housing delivery models completed and passed to Members for consideration. This includes seeking to maximise grants for future delivery.</li> <li>- Work continues with a range of housing providers to explore all options for increased supply and the revised offer to private landlords to increase access has been fully embedded.</li> <li>- Review of impact of Homelessness Reduction Act completed and level of early intervention increased for main cause of homelessness including enhanced debt and money advice.</li> <li>- Work required to address under-occupation and the generation of move on options within the social housing sector.</li> <li>- The new housing IT system offers a new more interactive on line housing advice model</li> </ul>	Assistant Director, Housing (Lynnette Chamielec)				
3	Housing Needs	<b>Temporary Accommodation</b> Inability to effectively manage the volume of people presenting themselves as homeless and the additional pressures placed on the homelessness budgets	<p><b>Causes:</b></p> <ul style="list-style-type: none"> <li>- Changes in government funding</li> <li>- Rising number of placements (approx. 20 per month)</li> <li>- Lack of local, affordable sustainable options</li> <li>- Increased homelessness and lack of access to accommodation</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Failure to fulfil statutory obligations</li> <li>- Impact on life chances and outcomes for individuals and families in temporary accommodation</li> <li>- Increased risk of legal challenge due to provision of unsuitable accommodation (including shared accommodation)</li> <li>- Pressure on other services</li> <li>- increase in the number of out of borough placements</li> </ul>	Social	5	4	20	<ul style="list-style-type: none"> <li>- Focus on preventing homelessness and diversion to alternative housing options through:-</li> <li>- Landlord and Tenancy advice support and sustainment</li> <li>- Assistance (including financial aid) to access the private rented sector</li> <li>- Access to employment and training</li> <li>- Debt, money, budgeting and welfare benefits advice, including assistance to resolve rent and mortgage arrears</li> <li>- Sanctuary scheme for the protection of victims of domestic violence</li> <li>- Implementing the Homelessness Strategy - setting up the multi-agency Homelessness Forum and taking forward the priorities of the Strategy</li> <li>- Working with local churches through the Transforming Bromley Borough Group to increase opportunities for outreach work.</li> <li>- Effective contract monitoring arrangements to ensure acceptable quality of service provision and value for money</li> <li>- Housing Transformation Board programme being implemented</li> <li>- Implementation of the More Homes Bromley initiative to ensure the supply reduces the reliance on nightly paid accommodation</li> <li>- New incentive campaign for private sector landlords embedded and benefits being realised.</li> </ul>	4	4	16	<ul style="list-style-type: none"> <li>- Housing Transformation Board progressing projects to increase cost-effective temporary accommodation and affordable housing supply. Six schemes approved by Members for progression. Options appraisal on future housing delivery models completed and passed to Members for consideration.</li> <li>- Transformation Board action plan in place for next 3-4 years.</li> <li>- Continue to develop partnership working with private sector landlords to assist households to remain in private sector accommodation and establish longer term tenancies.</li> <li>- Work innovatively with a range of providers to increase access to a supply of affordable accommodation. Housing Association Development Group established to progress developments in borough and share good practice.</li> <li>- Regeneration options on Housing Association estates under discussion to increase affordable housing supply.</li> <li>- Intake and Early Intervention service to meet Homelessness Reduction Act. Review effectiveness to address causes of homelessness.</li> <li>- Design work now underway for the modular schemes with planning submissions being progressed; the first of which has been approved.</li> </ul>	Assistant Director, Housing (Lynnette Chamielec)				

## Housing, Planning and Regeneration Risk Register - Appendix C8

Q2 2020/21

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)					EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)					FURTHER ACTION REQUIRED	RISK OWNER					
					LIKE	LHO	OD	IMPA	CT		RISK	RATI	NG	LIKE	LHO			OD	IMPA	CT	RISK	RATI
4	Housing Needs (Housing Strategy)	<b>Capital Grant</b> Failure to deliver the Council's affordable housing strategy in support of statutory obligations Lack of infrastructure in place where growth is occurring (Section 106 monies)	<b>Cause(s):</b> - Lack of availability of external capital grant (Housing Associations) to deliver key housing schemes - Lack of available suitable sites within the borough on which to develop new affordable housing schemes over the short to medium term together with delays in completing developments - Potential fluctuations in house prices and supply chains - Schemes not granted planning permission to develop identified sites <b>Effect(s):</b> - Failure to fulfil statutory obligations - An inadequate supply of housing will lead to an inability to meet housing needs of a range of client groups in support of statutory housing and homelessness duties.	Social		4		4		16					3		4		12		- Additional measures to be explored in accordance with the Housing Strategy. - Seeking to increase capacity for housing development support to ensure Housing Associations are supported and encouraged to develop affordable homes and that planning is aligned to the Local Plan. Review following publication of London Plan. - Using Development Group to work with Housing Associations to encourage increased affordable housing development through sharing good practice and supporting smaller associations. - Working group established to review and maximise s106 spend for new affordable housing supply.	Assistant Director, Housing (Lynette Chamielec)
5	Housing, Planning and Regeneration	<b>Recruitment and Retention</b> Failure to recruit and retain key skilled staff with suitable experience/qualifications	<b>Cause(s):</b> - Failure to compete with other organisations to recruit the highest quality candidates to build an agile workforce - Small pool of experienced workers <b>Effect(s):</b> - Failure to identify and meet service user needs - Provision of service to ineligible clients - Provision of service prior to/without appropriate authorisation - Lack of skill sets result in an inability to deliver effective housing services and planning services as well as progressing housing and regeneration schemes. - Impact on life chances and outcomes of families and young people.	Personnel		5		4		20					3		4		12		- Continue to benchmark grades and packages to remain competitive. - Rolling programme to convert agency staff to permanent positions. - Grow your own apprenticeship in building control established.	Director, Housing (Sara Bowrey) Director, Human Resources (Charles Obazuaye)
6	Housing Needs	<b>Welfare Reform</b> Impact of Welfare Reform legislation (including Universal Credit).	<b>Cause(s):</b> - Ongoing concerns about delays with Universal Credit and the impact of the benefit cap on families <b>Effect(s):</b> - Increased Rent Arrears - Lack of affordable/sustainable local options - Subsequent evictions and landlords reluctant to rent properties to claimants.	Social		4		4		16					3		3		9		- Work in partnership with Housing Benefit, the DWP, partner landlords and Social Care to minimise the impact of the Welfare Reform Act - Setting up working group with Housing Associations to explore additional measures to support residents with the rollout of Universal Credit - CAB Universal Credit advice service went live in April 2019. Close working with CAB to ensure identification and support to those at risk. - Review rent arrears procedures and support for debt advice in temporary accommodation. - Monitor the impact of financial difficulties due to COVID-19 and offer advice to those where eviction action halted under current regulations. - DHP moved across to operational housing / Liberata to manage.	Assistant Director, Housing (Lynette Chamielec)

## Housing, Planning and Regeneration Risk Register - Appendix C8

Q2 2020/21

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)					EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)					FURTHER ACTION REQUIRED	RISK OWNER		
					LIKE	LHO	OD	IMPA	CT		RISK	RATI	NG	LIKE	LHO			OD	IMPA
7	Housing, Planning and Regeneration	<b>Business Interruption / Emergency Planning</b> Failure to provide Council services or statutory requirements of mass illness/fatalities scenario following a business interruption or emergency planning event	<b>Cause(s):</b> - Business Interruption could be caused by Loss of Facility (fire, flood etc.), Staff (illness, strike) or IT (cyber attack). - Mass fatalities or illness has a range of causes and this risk to the council could be caused by council staff being impacted resulting in failure to manage statutory requirements of mass illness/fatalities scenario (e.g. registering of deaths within timescales) <b>Effect(s):</b> - Business interruption - failure to deliver services, loss of customer / resident satisfaction. - Emergency planning - failure to deliver statutory duties.	Personnel		2		5		10	Business Interruption - Civil protection and emergency planning policies in place at corporate level overseen by the Corporate Risk Management Group - Business Continuity Plans in place at service level. Reviewed and updated. - Contracts contain business continuity provision - Communication to all staff prior to all impending industrial action, informing of any possible service disruption as well as explaining implications of strike action for individual staff members  Emergency Planning - Robust plans in place, including Outbreak Plan, Flu Plan and Pandemic Flu Plan - Alert system via the South East London Health Protection Unit (SEL HPU) - Annual Flu vaccination programme in place		1		5		5	- Business Continuity Plans reviewed annually.	Director, Housing (Sara Bowrey)
8	Strategy, Performance and Corporate Transformation	<b>Data Collections</b> Failure to undertake statutory statistical data collections; including key housing and planning information, thereby adversely affecting government grant allocations and performance assessments	<b>Cause(s):</b> - Business Interruption <b>Effect(s):</b> - Failure to commission effectively - Adverse impact on the timing and quality of decision making	Data and Information		3		3		9	- Schedule of statutory returns has been incorporated into the Performance and Information team's work programme - Specialist members of the team for each area - Other staff trained to provide 'back up' for specialist members of the team - Good project planning in place to co-ordinate all data collections including contributions from other services		1		3		3		Assistant Director, Strategy, Performance & Corporate Transformation (Naheed Chaudhry)
9	Strategic Property	<b>Financial Performance</b> Failure to reach expected income through rental income and property disposal	<b>Cause(s):</b> - Failure to lease all properties - Failure to eliminate rent arrears - Downturn in property market - Impact of COVID-19 on retail and property markets - Non-payment of rent on properties <b>Effect(s):</b> - Reduced rental income - Reduced capital income - Impact on overall Council budget	Financial		3		5		15	- A programme of rent reviews, lease renewals, new lettings, lease renegotiations, cost recharges and cost refunds is being carried out by Custman and Wakefield to realise the target of £1m. - Rental deferrals monitored and repayment plans arranged from property portfolio.		2		5		10	- Work with Liberata to pursue rental arrears	Assistant Director, Strategic Property (Michael Watkins)
10	Strategic Property	<b>Health and Safety Regulations</b> Failure to comply with statutory regulations in Council occupied and leased properties	<b>Cause(s):</b> - Inadequate risk assessments - Lack of capacity to discharge the Council's H&S responsibilities - Ineffective monitoring of risks <b>Effect(s):</b> - Potential prosecution of Council and/or civil claims for compensation - Insurance claims - Potential accidents/fatalities - Corporate manslaughter	Physical/ Legal/ Financial		3		5		15	- Corporate Safety Adviser employed - Safety Policies reviewed and updated - Health and Safety works provided through Amey - Contractors held to account for managing Council premises to required legal standards		2		5		10		Assistant Director, Strategic Property (Michael Watkins)
11	Strategic Property	<b>Contractor Performance</b> Failure to deliver facilities management service	<b>Cause(s):</b> - Inadequate qualified staffing resources - Lack of capacity to deliver outcomes <b>Effect(s):</b> - Failure to deliver statutory obligations - Poor performance impacts on work of Council officers	Contractual and Partnership - Operational		3		5		15	- Regular monitoring of performance and key performance indicators - Contractors make regular reports to Members on delivery of contract - Contract reviewed and escalation for change available subject to Contract Change Notification - Business continuity plans in place and draft Exit Plan received		2		5		10	- Benchmarking of contract in progress to inform the future of the contract - A series of recommendations regarding the future direction of the contract to be submitted to Executive in 2020	Assistant Director, Strategic Property (Michael Watkins)

## Housing, Planning and Regeneration Risk Register - Appendix C8

Q2 2020/21

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)					EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)					FURTHER ACTION REQUIRED	RISK OWNER
					LIKE LIHO OD	IMPACT	RISK RATING	LIKE LIHO OD	IMPACT		RISK RATING						
12	Culture and Regeneration	<b>Outreach Service</b> Failure to provide service in Cotmandene and Mottingham	<b>Cause(s):</b> - Buildings vulnerable to water and sewerage issues - Small staff base vulnerable to stress and sickness - Reduced service - recovering after COVID-19 closure  <b>Effect(s):</b> - Failure to deliver full service - Closure of outreach centres - Impact on vulnerable adults	Social		4	4	12	- Staff experienced in successfully averting aggressive behaviour. - Regular weekly Team Meetings to discuss issues and address staff wellbeing as well as participation in training opportunities to help wellbeing - Facilities managed and repairs arranged with contractors (Amey and Clarion Housing)		4	4	12	- Daily, weekly and monthly Health & Safety checks to be continued - Lone working policy, CCTV and panic buttons, risk assessments in place and regularly reviewed - Allocating time for joint team meetings and staff training whilst maintaining delivery of service - Recruitment to vacant post to enable full complement of staff	Assistant Director, Culture and Regeneration (Lydia Lee)		
13	Culture and Regeneration	<b>Vitality and Prosperity of Town Centres</b> Failure of town centres to attract footfall and spend for retail and leisure opportunities	<b>Cause(s):</b> - Failure to redevelop High Streets and diversify the offer - National trend for decline in the traditional retail sector in town centres and competition from out of town developments and online shopping - Risk that established Business Improvement Districts do not succeed at renewal or that planned Business Improvement Districts do not get established resulting in reduced revenue spend to support businesses in town centre locations. - Poor development in town centres - Lack of investment in town centre facilities and public realm. - Impact of COVID-19 on local economy  <b>Effect(s):</b> - Reduction in town centre business occupancy and increase in vacancies - Loss of income from business rates and market charges, and reduction in income from parking charges - Poor public perception and negative publicity. - Lack of private sector or inward investment. - Reduction in property value. - Reduction in footfall and spend per head resulting in loss of business.	Economic		4	4	16	- Support to Business Improvement Districts through renewal or ballot processes. - Work in partnership with Business Improvement Districts to drive town centre activity that support business success and include programming and events in town centres. - Secure funding for and deliver public realm improvements in all town centres - Work with developers to bring forward suitable development that supports the vitality of town centres - Secure developer contributions for the benefit of town centres. - Investigate options for Renewal opportunities in all town centres. - Prioritise investment in town centre leisure facilities. - Implementation of the Business Support Task Force and support to plan for recovery		4	3	12	- Work with businesses to investigate the viability of a Business Improvement District in West Wickham. - Create and implement a terms of reference document to redefine the relationship between Business Improvement Districts and the Council to better support the local economy. - Work with developers including Arell to bring forward sensitive town centre development that also secures improved facilities for community services. - Finalise town centre public realm improvement schemes.	Assistant Director, Culture and Regeneration (Lydia Lee)		
14	Culture and Regeneration	<b>Capital Schemes</b> Failure to deliver housing schemes for temporary accommodation	<b>Cause(s):</b> - Failure to gain approval from Members for business cases - Failure to secure funding for schemes - Failure to deliver temporary accommodation schemes on time and in budget - Issues with land ownership and usage - Planning permission not granted or granted with conditions which impact adversely on costs - Issues with type of housing and construction - Lack of interest from market in developing sites - Impact of COVID-19 on construction industry and production of modular homes  <b>Effect(s):</b> - Failure to provide number of temporary accommodation units identified - Failure to produced identified savings as part of Housing Transformation Board programme - Impact on vulnerable families and children	Financial/ Social		5	5	25	- York Rise contract being mobilised, feasibility work being undertaken to identify a suitable course of action - Planning application for Burnt Ash Lane granted and work due to commence September 2020; impact of potential lock downs being monitored by working group - Tenders reviewed and re-issued - Housing applications at Bushell Way and Anerley (35 homes in total) in contract and applications submitted to planning July 2020, a decision due by Development Committee decision due November/December 2020. - Feasibility analysis underway on Beckenham Public Halls. Leasehold disposal option being developed in line with recommendations made in Sept 2020 Executive report. - Additional resources in Regeneration and Renewals teams dedicated to assess and bring forward a range of housing sites across the borough. Approach to Housing report for additional pipeline of housing sites identified and funding agreed by Executive 18th September. Design, feasibility and pre-planning advice underway on modular schemes. - Crystal Palace Regeneration strategy subject to decision by GLA via the outline planning application.		4	4	16	- Further conversations required to be developed with services to understand short and longer term requirements of particular sites. - Legal advice sought on ownership and usage issues and actions identified. - Coordination across disposals programme to ensure revenue and housing targets can be met jointly. - Leadership team working with GLA on Crystal Palace. - Further upskilling and knowledge sharing across teams to bring forward development effectively.	Assistant Director, Culture and Regeneration (Lydia Lee)		



## Housing, Planning and Regeneration Risk Register - Appendix C8

Q2 2020/21

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press shift & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)					EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)					FURTHER ACTION REQUIRED	RISK OWNER			
					LIKE	LIHO	OD	IMPA	CT		RISK	RATI	NG	LIKE	LIHO			OD	IMPA	CT
15	Culture and Regeneration	<b>Library Service</b> Failure to provide statutory library service	<b>Cause(s):</b> - Service provider ceases to trade due to financial difficulties - Service provider chooses to terminate contract - Council terminates contract because service provider fails to consistently meet KPIs - Service does not meet contracted levels because of industrial action - Impact of COVID-19 on usage and closure of libraries  <b>Effect(s):</b> - Temporary cessation of library service in borough - Adverse public response - Possible impact on partners in shared use buildings - Social impact on vulnerable adults and families using library facilities and activities	Legal Reputational Social		4		4		16				4		3		12		Assistant Director, Culture and Regeneration (Lydia Lee)
16	Planning	<b>Planning Service</b> Failure to deliver statutory requirements related to planning	<b>Cause(s):</b> - Failure of Planning IT service - Lack of suitably qualified staff to provide expertise within the service  <b>Effect(s):</b> - Council enters 'designation' status resulting in major planning decisions being removed from Council decision-making process leading to income loss to Council and lack of local control - Failure to prevent unauthorised development - Failure to respond to planning applications within statutory timescales - Planning decisions overturned on appeal - Failure to enforce Tree Protection Orders, protect listed buildings and conservation areas - Adverse public response	Legal Financial Reputational		3		4		12				2		3		6		Assistant Director, Planning (Tim Horsman)
17	Planning	<b>Community Infrastructure Levy</b> Failure to adopt local CIL and use for local infrastructure	<b>Cause(s):</b> - Failure to have local CIL schedule agreed and adopted - Failure to implement and collect the local CIL - Failure to use local CIL appropriately - Income impacted by COVID-19  <b>Effect(s):</b> - Lack of funding for infrastructure to support new developments - Lack of funding to provide Infrastructure Delivery Team	Legal Financial		2		3		6				2		3		6	'- Updated action plan being developed and will be consulted on and introduced at end of 2020/21	Assistant Director, Planning (Tim Horsman)
18	Planning	<b>Section 106 Agreements</b> Failure to complete S106 agreements for affordable housing	<b>Cause(s):</b> - Lack of appropriately qualified staff to ensure S106 agreements are implemented as appropriate - Lack of S106 Monitoring Officer in post  <b>Effect(s):</b> - Impact on level of supporting infrastructure in borough - S106 monies not being spent on appropriate infrastructure and housing schemes	Financial Social		3		3		9				2		3		6	- Ensure function of S106 Monitoring Officer included in proposed Infrastructure Delivery Team	Assistant Director, Planning (Tim Horsman)

## Housing, Planning and Regeneration Risk Register - Appendix C8

Q2 2020/21

REF	DIVISION	RISK TITLE & DESCRIPTION <small>(a line break - press shift &amp; return - must be entered after the risk title)</small>	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING <small>(See next tab for guidance)</small>				EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING <small>(See next tab for guidance)</small>				FURTHER ACTION REQUIRED	RISK OWNER		
					LIKE	LIHO	OD	IMPA		CT	RISK	RATI	NG			LIKE	LIHO
19	Planning	<b>London Plan</b> Failure to deliver level of housing in Bromley contained in Mayor of London's plan	<b>Cause(s):</b> - Mayor of London's Plan requires greater levels of housing to be built in Bromley than in Local Plan - Planning permission for sufficient level of development not granted - Landbanking by developers resulting in targets of new houses not being met in a timely fashion  <b>Effect(s):</b> - Bromley penalised at planning appeal stage	Reputational Financial		5		3	15	- Local Plan policies being reviewed to identify suitable sites - Contribution to consultation stage of London Plan emphasising issues around small sites		3		3	9	- Review of Local Plan in line with London Plan once published in 2020	Assistant Director, Planning (Tim Horsman)

## Human Resources and Customer Services Risk Register - Appendix C9

										DATE LAST REVIEWED:	09/09/2020		
REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)				CURRENT RISK RATING (See next tab for guidance)			FURTHER ACTION REQUIRED	RISK OWNER
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING		
1	Human Resources	<b>Ability to respond to industrial action, changes in government initiatives or legal requirements</b>	<b>Cause(s):</b> - Changes to staff terms and conditions (localisation agenda) - Lack of flexibility of workforce - Poor horizon scanning and networking's  <b>Effect(s):</b> - Increased costs (bank / agency usage) - Reputation damage - Impacts on service delivery	Political	2	2	4	1. Early and effective engagement with staff and trade unions 2. Sound internal and external legal advice 3. Identifying appropriate legal options 4. Pro-active intelligence gathering via London Councils and other networks 5. HR processes in place for dealing with industrial action	2	2	4	1. Submitting timely proposals to Chief Officers and / or members of the Industrial relations committee.	Director of HR & Customer Services
2	Human Resources	<b>Failure to comply with HR related legislative requirements e.g. Equalities Act 2010</b>	<b>Cause(s):</b> - Lack of awareness with legislation - Failure to effectively consult staff where appropriate - Indirect / direct discrimination - Human error / lack of understanding - Lack of capacity and capability to deliver  <b>Effect(s):</b> - Reputation damage - Financial costs - Regulatory inspection / intervention	Legal	4	3	12	1. Bromley Council policies & procedures in place e.g.. Equality Scheme 2. Requirement to report and record accurately information e.g. equalities 3. Training in place for managers and staff to ensure they are aware of their responsibilities 4. Organisation to carry out a Capacity Risk Assessment	3	2	6	1. Professional updates / HR Mgt Team forward planning	Director of HR & Customer Services
3	Human Resources	<b>1) ineffective workforce planning initiatives including succession planning, talent management. 2) upskilling of staff - lack of training resources/opportunities</b>	<b>Cause(s):</b> - Insufficient strategic management control and planning - Staff turnover (capacity) - Lack of resources  <b>Effect(s):</b> - Potential service delivery impacts - Loss of skilled/experienced staff - Missed opportunity to develop and retain talent "in house" - Recruitment Costs	Personnel / Operational	3	3	9	Clear workforce planning strategy in place, including - Graduate Intern Scheme - Apprenticeship Scheme - Career Pathway - Leadership Development Programme - Succession Planning Tool	2	2	4	Review of  1. Development of a Talent Management Strategy. 2. Ensure that Apprenticeship Levy funds are utilised effectively 3. Consideration to resurrect 'Future Leaders Programme'	Director of HR & Customer Services
4	Human Resources	<b>Ineffective recruitment and retention strategies for hard to fill posts e.g. Adult's Social Workers, Children's Social Workers, Housing, Planning, Building Control</b>	<b>Cause(s):</b> - Physical environment/hygiene facilities - Culture - Increasingly fluid market - Increases in demand and/or reductions in supply - Lack of experienced staff in the labour pool - Budget constraints - Lack of leadership  <b>Effect(s):</b> - Potential service delivery impacts - Increased costs due to use of agency workers - Reduction in quality of service	Personnel / Operational	4	3	12	1. Horizon scanning to anticipate changes and trends to staff complement 2. Keeping up to date on national trends for hard to recruit professions 3. Case load review 4. Review of pay and comparison with neighbouring LAs 5. R&R Board to regularly review 6. No Quit Policy in place 7. Implement grow your own initiatives e.g. senior practitioners progression pathway, training pathways for social workers, graduate trainees, apprentices	2	2	4	None identified	Director of HR

## Human Resources and Customer Services Risk Register - Appendix C9

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					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING		
5	Human Resources	Ineffective pre-employment checks including agency workers	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Poor procedures</li> <li>- Inadequate monitoring</li> <li>- Lack of awareness / understanding</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Workers with safeguarding concerns not identified</li> <li>- Safeguarding incident occurs (harm / injury)</li> <li>- Agency worker ID fraud</li> <li>- Reputation damage</li> <li>- legal compliance implications inc. fines and sanctions</li> </ul>	Personnel / Operational	4	3	12	<ol style="list-style-type: none"> <li>1. HR Business Services carry out checks for LBB workers &amp; agencies to check agency workers.</li> <li>2. Managers check identity of candidate and of agency workers when arriving for work, with copy of DBS and proof of identity. E.g. passport, and original copy of birth certificate.</li> <li>3. Up front audits with Adecco undertaken to ensure processes are robust for agency workers</li> <li>4. Training provided for managers</li> <li>5. Internal audit undertakes a review of arrangement as part of their annual audit plan</li> </ol>	4	1	4	Consideration as to whether training should be mandatory	Director of HR
6	Human Resources	Management of the on-going transitional and transformational changes (Commissioning process, baseline exercise and service redesigns and alternative delivery options)	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Lack of adequate financial resources</li> <li>- Lack of expertise</li> <li>- Unexpected delays</li> <li>- Changes in strategic direction</li> <li>- Lack of capacity to undertake in a timely manner</li> <li>- Conflicting priorities</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- New service models are ineffective / not fit for purpose</li> <li>- Increased costs</li> <li>- Legislative and legal requirements breached (e.g. TUPE)</li> <li>- Reduction in service quality / provision</li> <li>- Reputation damage</li> </ul>	Personnel / Operational	4	3	12	<ol style="list-style-type: none"> <li>1. Managing change procedure in place</li> <li>2. Capacity building and additional resources to support the change process</li> <li>3. Effective communication and engagement with staff and their representatives.</li> <li>4. Formal consultation processes and departmental representatives</li> <li>5. Regularly meetings include Members</li> <li>6. Terms of Reference for each workstream led by Chief Officers</li> </ol>	3	2	6	One-off funding required to support transformation programmes and workstreams	Director of HR & Customer Services
7	Human Resources	HR systems failures e.g. payroll, recruitment, HR self-service, pensions	<p><b>Cause(s):</b></p> <ul style="list-style-type: none"> <li>- Contractual failure</li> <li>- IT failure</li> <li>- Loss of power</li> <li>- Data breach / cyber attack</li> <li>- Ineffective business continuity plan for manual work around</li> </ul> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>- Delays or restriction in level of HR support available</li> <li>- Staff not paid</li> <li>- Staff morale reduction if for a long period</li> <li>- Delays in ability to recruit</li> <li>- Failure to apply for jobs employment/legal issues</li> <li>- Failure to comply with contractual obligations</li> <li>- Industrial action</li> </ul>	Data and Information	2	5	10	<ol style="list-style-type: none"> <li>1. Back-up payroll processes/systems</li> <li>2. Regular saving of personnel information on Resource Link</li> <li>3. Business Continuity Plan in place</li> <li>4. Internal audit carry out reviews as part of annual review programme</li> <li>5. Regular meetings with contractors and Business Continuity Plans for each contract</li> </ol>	4	2	8	None identified	Director of HR & Customer Services

## Human Resources and Customer Services Risk Register - Appendix C9

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8	Human Resources	Ineffective compliance with IR35	<b>Cause(s):</b> - Inadequate information from managers, - Non submission of requests for HR scrutiny - Non submission of approval by relevant Chief Officers, - Poor knowledge of what is required  <b>Effect(s):</b> - Huge fine by IRS - Reputational damage - IRS investigation of the authority	Financial / Legal	2	5	10	1. Clear standards and expectations are set out in the procedure/manual 2. Dedicated HR Officer with updated knowledge of IR35 requirements 3. Access to external expert advice commissioned if required 4. HR monitoring	1	3	3	- Regular awareness sessions on IR35 for managers - 6-monthly compliance report to CLT/COE - Joint HR/audit review	Director of HR & Customer Services
9	Human Resources / Health & Safety	<b>Health &amp; Safety (Council)</b> <b>Ineffective management, processes and systems across all Council departments</b> <b>Specifically in relation to the following areas:</b> <b>Fire Risk Assessments</b> <b>Lone Working</b> <b>Violence &amp; Aggression at work</b>	<b>Cause(s):</b> - Inadequate risk assessments - Outdated policies - Poor use of data around accidents/near miss incidents - Lack of capacity to discharge the Council's H&S responsibilities - Ineffective monitoring of risks  <b>Effect (s):</b> - Potential prosecution of Council and / or civil claims for compensation - Increased sickness/absence - Poor staff morale - Impact on staff retention - Insurance claims - Potential accidents/fatalities - Corporate manslaughter	Health & Safety	3	5	15	1. 0.6 fte Corporate Safety Advisor employed 2. Safety Policies reviewed and updated regularly - ongoing 3. Commitment to HSW from Chief Executive and Directors premises, equipment & activities 4. Supported by H&S training programme and network of policies and procedures (regularly reviewed) 5. Property-related HSW matters now provided through Amey 6. Holding contractors to account for managing Council premises to required legal standards	3	4	12	Risk assessment & proactive monitoring being developed for Council  Departmental Safety Committees meet regularly. Corporate and Departmental Health and Safety Meetings to be further reviewed including Senior Management Ownership  'H&S audits to be undertaken by Corporate Safety Officer	Director of HR & Customer Services
10	Customer Services	Fall in income from Registrars Economic downturn, uncertainty regarding accommodation and other external factors contributing to a significant fall in income in Registrars	<b>Cause(s):</b> Uncertainty regarding accommodation Leaving Civic Centre for a less appealing venue  <b>Effect(s):</b> Reduced level of bookings Financial impact	Financial - Operational	3	3	9	- Regular budget and activity monitoring - Targeted marketing of ceremonies, venues etc. to maximise income, website videos, use of 'twitter' - Flexible use of staff to maximise income in periods of high activity - Development of civil funeral service	3	2	6		Duncan Bridgewater
11	Customer Services	Contractor Failure	<b>Cause(s):</b> Contractor (such as Liberata) cease trading due to financial or other failure.  <b>Effect(s):</b> Interruption to or deterioration of service due to failure of contractors (out of hours security guards @ Civic Centre, for example)	Contractual and Partnership - Operational	2	4	8	- Regular monitoring of performance and monthly operational meetings to identify any continued and ongoing reduction in service delivery - Core contract monitoring and overview of other elements of the contract to identify shortfalls in other areas of service delivery - Effective scrutiny of potential contractors - Appropriate performance bonds or parent company guarantees - Business continuity planning - Standardised contract letting procedures and documentation as contracts renew	2	3	6	-Identify potential alternative contractors	Duncan Bridgewater
12	Customer Services	Contractor Performance	<b>Cause(s):</b> Failure to effectively manage service delivery contracts with provided such as Liberata  <b>Effect(s):</b> Continued and ongoing poor performance and/or increased customer complaints.	Contractual and Partnership - Operational	4	3	12	- Daily, weekly, monthly and annual monitoring of performance and key performance indicators - Monthly operational meetings with contractor to discuss performance and monitor against balanced score card - Escalation through core contract route of any continued and ongoing shortfalls in performance	3	2	6		Duncan Bridgewater

## Human Resources and Customer Services Risk Register - Appendix C9

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13	Customer Services	<b>Maintenance of Statutory and GRO standards</b>	<b>Cause(s):</b> Increase in life events (births / deaths) within Bromley Staffing pressures  <b>Effect(s):</b> Drop in standards leading to a potential breach of statutory duty and loss of confidence from residents.	Legal - Operational	3	3	9	-Regular monitoring of registration activity and timescales -use of casual staff to perform statutory registrations - close monitoring of quality and performance from GRO system reporting	1	3	3		Duncan Bridgewater
14	Customer Services	<b>Loss of Facility</b> Loss of customer service accommodation as a result of a major power failure or other incident that prevents access to the Civic Centre	<b>Cause(s):</b> Major power failure or other incident that prevents access to the Civic Centre  <b>Effect(s):</b> Major disruption to council services	Data and Information - Operational	3	3	9	- Existing local resilience procedures (overflow to alternative Liberata Office)	2	2	4		Duncan Bridgewater
15	Customer Services	<b>Safety of Statutory Records</b>	<b>Cause(s):</b> Fire / flooding Strong room not GRO compliant  <b>Effect(s):</b> Damage to or destruction of historic statutory registration records	Operational	2	4	8		2	4	8	- We are aware the strong rooms requires investment to bring it up to General Register Office (GRO) security standards. This will be looked at during the wider accommodation review	Duncan Bridgewater

Remember to consider current Internal Audit priority one recommendations when identifying, assessing and scoring risks.

Waivers - From April 2020 to September 2020				APPENDIX D		
Waivers > £50,000						
DIRECTORATE	SERVICE AREA	FINANCIALS	DETAILS- PARTICULARS FOR SEEKING WAIVER	PERIOD FROM	PERIOD TO	DECISION
Place	Environment Highways	£75,300 for the one year extension	Extension CONFIRM - provision and support	01/07/2020	30/06/2021	Gateway Report 22/06/2020
People	Adult Social Care:Older People	The agreement was on a call off basis so the contract value would be variable but estimated to be £90K	Exemption from Tendering Pan London Procurement solution for PPE	29/04/2020	30/06/2020	Gateway Report 21/04/2020
People	Children and Families: Children's Social Care	£26K for the one year extension giving a revised whole life contract up to £132,175	Extension Beyond Term Independent visitor service for Children Looked After	01/08/2020	31/07/2021 (earlier subject to completion of a tender process)	Gateway Report 15/06/2020
People	Children and Families: Education	£87,676 for the one year extension	Extension Beyond Term Travel Training Contract	01/09/2020	31/08/2021	Gateway Report 16/06/2020
People	Children and Families: Education	£42,241 for the one year extension (£15K contribution from CCG) so balance of £27K extension cost to LBB	Extension Beyond Term Family Support Services for CYP with Social and Communication Needs	01/10/2020	30/09/2021	Gateway Report 18/08/2020
People	Public Health	Part II information	Extension Sexual Health - Early Intervention Service	01/10/2021	31/03/2022	Adult Care and Health PDS 30/6/2020 Part I and financials shown in Part II - decision 15/7/2020
Chief Executive	Finance: Accounting	£18,500 for the 1 year extension giving a cumulative contract value of £288K	Extension Beyond Term Pension Fund Advice Service	01/11/2020	31/10/2021	Gateway Report 10/07/2020
People	Children and Families: Workforce Development	£12,800 for the 19 month extension giving an estimate whole life value of £79,850	Extension Beyond Term ASYE Support Programme 2017-18 2018-19	01/09/2020	31/03/2022	Gateway Report 30/06/2020
Place	Environment: Streetscene and Greenspace	£78K for the 12 month extension giving a cumulative contract value of £296K	Extension Beyond Term Bromley Market Assembly	01/01/2021	31/12/2021	Gateway Report 19/08/2020
People	Children and Families: Children's Social Care	Annual value of £196,057 giving a whole life value of £968,753	Extension Provision of holiday and Saturday group based short break service for disabled children and young people	01/04/2021	31/03/2023	Leader Decision 18 September 2020
People	Public Health	£420K per annum giving a whole life value of £2.1M for 5 years (3 +2 contract)	Exemption from Tendering GP Service Level Agreements	01/04/2021	31/03/2024	Gateway Report 30/06/2020
People	Public Health	£24k per annum giving a whole life value of £120K	Exemption from Tendering NHS Health Checks	01/04/2021	31/03/2026	Portfolio Holder Decision 02/06/2020
People	Public Health	Up to £100K for the 1 year extension giving an estimated whole life value of £400K	Extension Beyond Term NHS Checks - Point of care testing	01/04/2021	31/03/2022	Gateway Report 10/07/2020
People	Children and Families: Education	£29,300 for first year and a whole life value of £78,900	Exemption from Tendering SEN Place Planning Modelling	01/06/2020	31/05/2023	Gateway Report 18/06/2020
People	Public Health	£73K for 6 month	Exemption from Tendering COVID 19 Surge Capacity Nursing Support Service	14/09/2020	31/03/2021	Gateway Report 10/09/2020
People	Adult Social Care	£574K for the two year extension giving a revised whole life contract of £1.38m	Extension Advocacy Services	01/04/2020	31/03/2023	Gateway Report 18/8/2020

DIRECTORATE	SERVICE AREA	FINANCIALS	DETAILS- PARTICULARS FOR SEEKING WAIVER	PERIOD FROM	PERIOD TO	DECISION
People	Adult Social Care: Learning Disabilities	£5.1m for the 12 month extension	Extension Beyond Term for four Supported Living contracts and extension for one scheme	24/04/2021	23/03/2022	Gateway Report September 2020
People	Children and Families; Children's Social Care	£66,146 for the 12 month extension giving a revised estimated whole life value of £195,212	Extension Beyond Term for Short Breaks Contract - Bromley Mencap	01/10/2020	30/09/2021	Gateway Report 29/09/2020
People	Adult Social Care: Older People	£137K for the additional 6 month period (variation to hourly rates of the contract also approved)	Extension Dementia Respite at Home Service	01/04/2021	30/09/2021	Gateway Report 9/9/2020
Place	Housing	£357K for the 1 year extension giving a revised whole life value of £2.118M	Extension Beyond Term Tenancy Sustainment Services for Young People	08/09/2021	07/09/2022	Gateway Report 21/9/2020
Place	Housing	£202K for the 1 year extension giving a revised whole life value of £1.489M	Extension Beyond Term Tenancy Support Services for Homeless People - Evolve	07/04/2021	31/03/2022	Gateway Report 19/9/2020
Place	Housing	£112,346 for the 1 year extension giving a revised total contract value of £640K	Extension Beyond Term Tenancy Sustainment Services for Women in Refuge	01/01/2021	31/12/2021	Gateway Report 17/9/2020
Place	Public Protection	£94K for the 1 year extension giving a revised whole life contract of £370K (inclusive of extension options)	Extension Stray Dogs Service and Pest Control	01/02/2021	31/01/2022	Gateway Report 24/09/2020
Place	Housing	£195K for the 1 year extension giving a revised whole life value of £1.07M	Extension Beyond Term Tenancy Support for Vulnerable Adults	01/04/2021	31/03/2022	Gateway Report 19/9/2020
People	Children's Social Care	£84K for the two year extension giving a whole life value of £210K	Extension Post 16 Learner Tracker	01/04/2021	31/03/2023	Gateway Report 25/09/2020
People	Adult Social Care	£244K for the 6 month extension giving a total contract value of £366K	Extension Block provision to facilitate discharge of people from hospital who may be Covid-19 positive	06/10/2020	05/04/2021	Gateway Report - 29/9/2020



# **LONDON BOROUGH OF BROMLEY**

## **FINANCIAL REGULATIONS AND PROCEDURES 2020**

**PART 1 - FINANCIAL REGULATIONS 2**

**PART 2 - FINANCIAL PROCEDURES 27**

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# PART 1 – FINANCIAL REGULATIONS

## 1. STATUS OF FINANCIAL REGULATIONS

- 1.1 Financial Regulations provide the framework for managing the London Borough of Bromley's financial affairs and are deemed to be part of its constitution. They apply to every Member and Officer of the Authority and anyone acting on its behalf.
- 1.2 The Regulations identify the financial responsibilities of the Full Council, Executive and Policy Development and Scrutiny Committee Members, the Chief Executive, the Monitoring Officer who is the Director of Corporate Services, Director of Finance and other Chief Officers. Executive Members and Chief Officers should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, references to the Chief Officer in the Regulations should be read as referring to them.
- 1.3 More detailed responsibilities of the Director of Finance and the Chief Officers are included in Financial Procedures. These set out how the Regulations should be implemented and provide further guidance.
- 1.4 The Regulations shall not override any statutory provisions that apply. However, subject to the above and with the agreement of the Director of Corporate Services and Director of Finance, the General Purposes and Licensing Committee may waive compliance with any of these Regulations in a particular case or in any particular class of case where applicable.
- 1.5 Each Chief Officer is responsible for ensuring that these Regulations are strictly adhered to, throughout the department under their control. Except where otherwise stated, all references in these Regulations to "Chief Officer" should be read as meaning heads of department but this includes all officers that are carrying out duties on behalf of a Chief Officer. Such delegation by Chief Officers should be formally approved and documented.
- 1.6 Where applicable consultants or agencies acting for the Council will be bound by these Regulations and it should be a condition of their employment or engagement that they do so. The provisions of these procedures shall also apply to services carried out under agency

arrangements for any other Authority or Organisation, except where otherwise required by that Authority.

- 1.7 Substantial breaches of Financial Regulations shall be reported to the Director of Finance and the Portfolio Holder by the relevant Chief Officer and may be treated as disciplinary offences. Where the Director of Finance considers it appropriate they will report to the next meeting of the Audit Sub-Committee any substantial breach of these Regulations that is identified. The Director of Finance is also responsible for reporting, where appropriate, breaches of Financial Regulations to the Council and/or to the Executive. The Director of Finance shall be responsible for ensuring the Council's continuing compliance with the Accounts and Audit Regulations 2015 and all relevant Accounting Codes of Practice and Auditing Standards.
- 1.8 As such, no report having financial implications shall be submitted to Members without adequately timed prior consultation with the Director of Finance. Any such report that has financial implications shall be drafted in accordance with the "Code of Practice on Drafting Financial Implications in Committee Reports" (Financial Procedures Appendix 3).
- 1.9 These procedures shall be reviewed regularly by the Director of Finance but at least every 3 years. The General Purposes and Licensing Committee should approve all amendments and summaries of changes resulting from reviews of codes of best practice, procedures or explanatory notes. Relevant financial thresholds (e.g. write-offs, petty cash payments) should additionally be reviewed against inflation on an annual basis wherever possible.
- 1.10 As suggested good practice it is recommended that these Regulations be applied to transactions relating to any Amenity or Voluntary Funds handled by staff in the course of their duties.
- 1.11 The Director of Finance is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to Full Council for approval.
- 1.12 Chief Officers are responsible for ensuring that all staff in their departments are made aware of the existence and content of the Authority's Financial Regulations and other internal regulatory documents, and that they comply with them. They must also ensure that either hard or electronic copies are available for reference within their departments.
- 1.13 Members, Officers and others acting on behalf of the Authority are required to follow Financial Regulations and Contract Procedure Rules.

The Director of Finance is responsible for issuing advice and guidance to underpin this and Members, Officers and others acting on behalf of the Authority must have regard to such advice.

## **2. STRATEGIC RESPONSIBILITIES**

### **2.1 Financial Management**

2.1.1 Section 151 of the Local Government Act 1972 states that each Local Authority “shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”. Full Council approves those arrangements taking into account the views of the General Purposes and Licensing Committee who will also, along with the Audit Sub-Committee, carry a monitoring brief to ensure the arrangements remain effective and are applied appropriately. The said “arrangements” include the Council’s Financial Regulations, Contract Procedure Rules and the Scheme of Delegation (so far as it relates to financial matters). In approving those arrangements, Members are bound by the general principles of administrative law.

2.1.2 The Council’s appointed officer under Section 151 is the Director of Finance. In performing his functions as the appointed officer, he shall seek to ensure that the management of the Council’s financial affairs accord with the arrangements approved by Council subject to his overarching statutory duties including those referred to at paragraph 2.5.3 below. The Section 151 officer can be held accountable by the electorate to whom he owes a fiduciary duty to carry out those duties effectively and these cannot be overridden by the Council.

2.1.3 Financial management covers all financial accountabilities in relation to the running of the Authority, including the budget and policy framework.

### **2.2 The Full Council**

2.2.1 The Full Council is responsible for adopting the Authority's constitution and Members' code of conduct and for approving the budget and policy framework within which the Executive operates.

### **2.3 The Executive**

2.3.1 The Executive is responsible for proposing the budget and policy framework to the Full Council, and for discharging Executive functions in accordance with the policy framework and budget.



2.3.2 Executive decisions can be delegated to a committee of the Executive, an individual Executive Member or an officer. Executive Members must consult with relevant officers before taking a decision within their delegation; the member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

## **2.4 Committees**

2.4.1 Policy Development and Scrutiny Committees: There are six Policy Development and Scrutiny (PDS) Committees who have a major role in policy development and scrutinising the decisions of the Executive. They have no decision making powers but make reports and recommendations which advise the Executive and the Council as a whole on its policies, budget and service delivery. PDS Committees also monitor the decisions of the Executive and can challenge or 'call-in' a decision that has been made by the Executive.

2.4.2 General Purposes and Licensing Committee: Legislation prevents all the Council's powers being exercised by the Executive so the General Purposes and Licensing Committee deals with Non Executive functions, quasi-legal issues such as licensing and with staffing and audit matters. In particular the Audit Sub Committee deals with Financial Regulations as well as Internal and External Audit.

2.4.3 The Standards Committee promotes and maintains a high standard of conduct by Bromley Councillors and co-opted members. It has a membership of seven, five Councillors and two Independent Persons. It is responsible for advising the Council on the adoption and revision of the members' code of conduct, and for monitoring the operation of the code.

## **2.5 The Statutory Officers**

### **2.5.1 Chief Executive:**

The Chief Executive is responsible for the corporate and overall strategic management of the Authority as a whole. They must report to and provide information for the Executive, the Full Council, the Policy Development and Scrutiny committees and other committees. They are responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the Authority.

## 2.5.2 The Director of Corporate Services as:

### The Monitoring Officer

- a) The Monitoring Officer is responsible for promoting and maintaining high standards of conduct and provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Full Council and/or to the Executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively. The Monitoring Officer is responsible for compliance with the Constitution
- b) The Monitoring Officer must ensure that Executive decisions and the reasons for them are made public. They must also ensure that Members are aware of decisions made by the Executive and of those key decisions made by Officers who have delegated Executive responsibility.
- c) The Monitoring Officer is responsible for advising all Members and Officers about who has authority to take a particular decision.
- d) The Monitoring Officer is responsible for advising the Executive and/or Full Council about whether a decision is likely to be considered contrary to, or not wholly in accordance with, the Authority's budget and policy framework.
- e) The Monitoring Officer, together with the Director of Finance, is responsible for advising the Executive or Full Council about whether a decision is likely to be considered contrary to, or not wholly in accordance with the budget. Actions that may be contrary to the budget include:
  - Initiating a new policy, which has budgetary implications.
  - Committing expenditure in future years above the approved budget level.
  - Interdepartmental transfers above virement limits.
  - Causing total net expenditure to increase beyond the approved budget.

### 2.5.3 Director of Finance:

- a) The statutory duties arise from (inter alia):
- Section 151 of the Local Government Act 1972.
  - The Local Government Finance Act 1988.
  - The Local Government and Housing Act 1989.
  - The Local Government Acts 2000 and 2003.
  - The Accounts and Audit Regulations 2015.
  - The Local Government Pension Scheme Regulations 2013
- b) The Director of Finance is responsible for:
- The proper administration of the Authority's financial affairs.
  - Setting and monitoring compliance with financial management standards.
  - Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management.
  - Providing financial information.
  - Preparing the revenue budget and capital programme.
  - Treasury management and banking.
- c) Section 114 of the Local Government Finance Act 1988 requires the Director of Finance to report to the Full Council, Executive and External Audit, if the Authority or one of its officers:
- Has made, or is about to make, a decision which involves incurring unlawful expenditure.
  - Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Authority.
  - Is about to make an unlawful entry in the Authority's accounts.
- d) Section 114 of the 1988 Act also requires:
- The Director of Finance to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under section 114 personally.
  - The Authority to provide the Director of Finance with sufficient staff, accommodation and other resources, including legal advice where this is necessary, to carry out the duties under section 114.

## **2.6 Chief Officers**

2.6.1 Chief Officers are responsible for ensuring that members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Director of Finance.

2.6.2 It is the responsibility of Chief Officers to consult with the Director of Finance and seek approval on any matter liable to affect the Authority's finances materially, before any commitments are incurred.

## **2.7 Other Financial Accountabilities**

2.7.1 Virement:

The Full Council is responsible for agreeing procedures for virement of expenditure between budget headings.

2.7.2 Chief Officers are responsible for agreeing in-year virements within delegated limits, in consultation with the Director of Finance where required. They must notify the Director of Finance of all virements over £50,000. (The Scheme of Virement sets out the rules and the levels of delegation.)

2.7.3 Treatment of year-end balances:

The Full Council is responsible for agreeing guidelines for the carrying forward of under and overspendings on budget headings.

2.7.4 Accounting policies:

The Director of Finance is responsible for setting accounting policies and ensuring that they are applied consistently.

2.7.5 Accounting records and returns:

The Director of Finance is responsible for determining the accounting procedures and records for the Authority.

2.7.6 Annual statement of accounts:

The Director of Finance is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC).

2.7.7 The General Purposes and Licensing Committee is responsible for approving the annual statement of accounts.

2.7.8 Further details are contained in the detailed budget book.

### **3. FINANCIAL PLANNING**

#### **3.1 Introduction**

3.1.1 The Full Council is responsible for approving the Authority's budget and policy framework proposed by the Executive. In terms of financial planning, the key elements are:

- a) Corporate plans
- b) The budget
- c) Capital programme.

#### **3.2 Policy Framework**

3.2.1 The Full Council is responsible for approving the budget and policy framework. The policy framework comprises the plans and strategies set out in paragraph 4.02 of article 4 of the constitution.

3.2.2 The Full Council is responsible for setting the level at which the Executive may reallocate budget funds from one service to another. The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

3.2.3 Preparation of Corporate Plans:

The Chief Executive is responsible for proposing corporate plans to the Executive for consideration before their submission to the Full Council for approval.

3.2.4 **Preparation of the Council's Performance Plan:**

The Chief Executive is responsible for proposing the overall performance plan to the Executive for consideration before its submission to the Full Council for approval.

#### **3.3 Revenue and Capital Budgeting**

3.3.1 Budget Format:

The general format of the budget will be approved by the Full Council and proposed by the Executive on the advice of the Director of Finance. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

### 3.3.2 Budget Preparation:

The Director of Finance is responsible for ensuring that a revenue budget is prepared on an annual basis and a financial forecast on a four yearly basis for consideration by the Executive, before submission to the Full Council. The Full Council may amend the budget or ask the Executive to reconsider it before approving it.

3.3.3 The Executive is responsible for issuing guidance on the general content of the budget in consultation with the Director of Finance as soon as possible following approval by the Full Council.

3.3.4 It is the responsibility of Chief Officers to ensure that budget estimates reflecting agreed service plans are submitted to the Executive and that these estimates are prepared in line with guidance issued by the Executive and the Director of Finance.

### 3.3.5 Budget Monitoring and Control:

The Director of Finance is responsible for providing appropriate financial information to enable budgets to be monitored effectively. They must monitor and control overall expenditure and income against budget allocations and report to the Executive on the Council's overall position on a regular basis.

3.3.6 It is the responsibility of Chief Officers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Director of Finance. They should report on variances within their own areas and take necessary action to avoid exceeding their budget allocation and alert the Director of Finance to any problems.

### 3.3.7 Resource Allocation:

The Director of Finance is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Full Council's policy framework.

### 3.3.8 Preparation of the Capital Programme

The Director of Finance is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Executive before submission to the Full Council.

### 3.3.9 Guidelines

Guidelines on budget preparation are issued to Members and Chief Officers by the Executive following agreement with the Director of Finance. The guidelines will take account of:

- Legal requirements
- Medium-term planning prospects
- Corporate plans
- Available resources
- Spending pressures
- Relevant government guidelines
- Other internal policy documents
- Cross-cutting issues (where relevant).

### 3.3.10 Maintenance of Reserves:

It is the responsibility of the Director of Finance to advise the Executive and/or the Full Council on minimum levels of reserves for the Authority.



## **4. RISK MANAGEMENT AND CONTROL OF RESOURCES**

### **4.1 Introduction**

4.1.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Authority. This should include the proactive participation of all those associated with planning and delivering services.

### **4.2 Risk Management**

4.2.1 The Executive is responsible for approving the Authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The Executive is responsible for ensuring that proper insurance exists where appropriate.

4.2.2 The Director of Finance is responsible for preparing the Authority's risk management policy statement, for promoting it throughout the Authority and for advising the Executive on proper insurance cover where appropriate.

### **4.3 Internal Control**

4.3.1 Internal control refers to the systems of control devised by management to help ensure the Authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.

4.3.2 The Director of Finance is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and Regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other provisions that govern their use.

4.3.3 It is the responsibility of Chief Officers to establish sound arrangement, for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

### **4.4 Audit Requirements**

4.4.1 The Accounts and Audit Regulations 2015 require every local Authority to maintain an adequate and effective Internal Audit.

- 4.4.2 The responsible body, currently the Public Sector Audit Appointments Limited is responsible for appointing External Auditors to each local Authority such as Bromley who have opted into that arrangement . The basic duties of the External Auditor are governed by section 20 of the Local Audit and Accountability Act 2014.
- 4.4.3 The Authority may, from time to time, be subject to audit, inspection or investigation by other external bodies such as HM Revenue and Customs, who have statutory rights of access.

#### **4.5 Preventing Fraud and Corruption**

- 4.5.1 The Head of Audit & Assurance is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

[http://onebromley/BA/Pub\\_CE/Pub\\_Audit/Pub\\_IA/Lists/News%20Items/Attachments/11/Anti-fraud%20and%20corruption%20strategy.pdf](http://onebromley/BA/Pub_CE/Pub_Audit/Pub_IA/Lists/News%20Items/Attachments/11/Anti-fraud%20and%20corruption%20strategy.pdf)

#### **4.6 Assets**

- 4.6.1 Chief Officers should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

#### **4.7 Treasury Management and Banking**

- 4.7.1 The Authority has adopted CIPFA's Code of Practice for Treasury Management in the Public Services.
- 4.7.2 The Full Council is responsible for approving the Treasury Management Policy Statement. The Portfolio Holder for Resources, Commissioning and Contracts proposes the policy statement to the Full Council. The Director of Finance has delegated responsibility for implementing and monitoring the policy statement.
- 4.7.3 All money in the hands of the Authority is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the Director of Finance.
- 4.7.4 The Director of Finance is responsible for reporting to the Portfolio Holder for Resources, Commissioning and Contracts a proposed treasury management strategy for the coming financial year at or before the start of each financial year.

- 4.7.5 All Executive decisions on borrowing, investment or financing shall be delegated to the Director of Finance, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in the Public Services.
- 4.7.6 The Director of Finance is responsible for reporting to the Portfolio Holder for Resources, Commissioning and Contracts not less than three times in each financial year on the activities of the treasury management operation and on the exercise of their delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the preceding financial year.

#### **4.8 Staffing**

- 4.8.1 The Full Council is responsible for determining how Officer support for Executive and Non-Executive roles within the Authority will be organised.
- 4.8.2 The Chief Executive is responsible for providing overall management to staff. They will also be responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.
- 4.8.3 Chief Officers are responsible for controlling total staff numbers by:
- Advising the Executive on the budget necessary in any given year to cover estimated staffing levels.
  - Adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs.

## **5 SYSTEMS AND PROCEDURES**

### **5.1 Introduction**

5.1.1 Sound systems and procedures are essential to an effective framework of financial accountability and control.

### **5.2 General**

5.2.1 The Director of Finance is responsible for the operation of the Authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by Chief Officers to the existing financial systems or the establishment of new systems must be approved by the Director of Finance. However, Chief Officers are responsible for the proper operation of financial processes in their own departments.

5.2.2 Any changes to agreed procedures made by Chief Officers to meet their own specific service needs should be agreed with the Director of Finance in advance

5.2.3 Chief Officers should ensure that their staff receive relevant financial training.

5.2.4 Chief Officers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Chief Officers must ensure that staff are aware of their responsibilities under freedom of information legislation.

### **5.3 Income and Expenditure / Scheme of Delegation**

5.3.1 It is the responsibility of Chief Officers to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Chief Officer's behalf, or on behalf of the Executive, in respect of payments, income collection and placing orders, together with the limits of their authority. The Executive is responsible for approving procedures for writing-off debts as part of the overall control framework of accountability and control.

### **5.4 Payments to Employees and Members**

5.4.1 The Director of Human Resources and Customer Services is responsible for the payments of salaries and wages to all staff, including payments for

overtime, and for payment of allowances to Members. - See Salaries, Wages and Pensions - section 11.

## **5.5 Taxation**

- 5.5.1 The Director of Finance is responsible for advising Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Authority.
- 5.5.2 The Director of Finance is responsible for maintaining the Authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

## **5.6 Trading Accounts/Business Units**

- 5.6.1 It is the responsibility of the Director of Finance to advise on the establishment and operation of trading accounts and business units.
- 5.6.2 It is the responsibility of the Director of Corporate Services to advise on the establishment and operation of any future wholly owned company arrangements.

## **6 EXTERNAL ARRANGEMENTS**

### **6.1 Introduction**

6.1.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. The Council must also act to achieve the promotion or improvement of the economic, social or environmental well being of its area.

### **6.2 Partnerships**

6.2.1 The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

6.2.2 The Executive can delegate functions, including those relating to partnerships, to Chief Officers. These are set out in the scheme of delegation that forms part of the Authority's constitution. Where functions are delegated, the Executive remains accountable for them to the Full Council.

6.2.3 Representation of the Authority on partnership and external bodies will be decided in accordance with the scheme of delegation.

6.2.4 The Director of Finance must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. Director of Corporate Services must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They, in conjunction with the appropriate Chief Officer, must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

6.2.5 Chief Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

### **6.3 External funding**

6.3.1 The Director of Finance is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

## **6.4 Work for third parties**

- 6.4.1 The Executive is responsible for approving the contractual arrangements for any work for third parties or external bodies unless this is delegated to Chief Officers.

## **7 SCHEME OF VIREMENT**

(Not applicable to schools that have separate Regulations)

### **7.1 Introduction**

- 7.1.1 The scheme of virement is intended to enable the Executive, Chief Officers and their staff to manage budgets with a degree of flexibility within the overall budget and policy framework determined by the Full Council, and therefore to optimise the use of resources.
- 7.1.2 The overall revenue budget is drawn up by the Executive and approved by the Full Council. Chief Officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved heads of expenditure. For the purpose of this scheme, a budget head is considered to be a cost centre. A division of service is as defined by CIPFA Standards currently the Service Reporting Code of Practice (SeRCOP).
- 7.1.3 Virement does not create additional overall budget liability. Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not support recurring expenditure from one-off sources of savings or additional income, or create future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Chief Officers must plan to fund such commitments from within their own budgets.

### **7.2 Definition of Terms**

- 7.2.1 “Main Account” - refers to the total budget for employees, running expenses, individual special schemes, financing charges, recharges or income within a single service heading (main code).
- 7.2.2 “Contingent Budget” - refers to those provisions designated by the Director of Finance which are mainly outside the direct control of the Authority.



### 7.3 Virement Arrangements

7.3.1 No virement is allowed from or to any of the following budgets without approval of the Executive:

- Financing charges
- Rates and other taxes
- Recharges
- Insurances
- Contingent budgets (as determined by the Director of Finance in consultation with the appropriate Chief Officer).

7.3.2 Portfolio Holder agreement will be required for proposals which transfer funds for the creation of new staff posts

7.3.3 Executive approval will be required for proposals which:

- would cause the total budget head to be exceeded in the current year or increase the commitment in future years
- are to be financed from savings arising from competitive tendering.

7.3.4 Virement will be allowed within one year between other main accounts as follows:

- a) on the approval of the appropriate Chief Officer for sums up to £50,000
- b) on the approval of the appropriate Portfolio Holder for sums in excess of £50,000 and up to £250,000
- c) on the approval of the Executive for sums in excess of £250,000 and up to £1,000,000
- d) on the approval of the Full Council for sums above £1,000,000.

7.3.4 Virements actioned by a Chief Officer shall be included on the next quarterly monitoring report to the appropriate Executive meeting and notified to the Director of Finance.

#### **7.4 Maintenance of Buildings**

Building Maintenance funding is split between “landlord and tenant” responsibilities.

#### **7.5 Notification to Director of Finance**

Please ensure that your Head of Finance is informed of all virement approvals granted.

#### **7.6 Supplementary Estimates**

- 7.6.1 The Executive can agree a supplementary estimate for an individual item up to £1m as long as the full year effect does not exceed £1m. All larger items are to be approved by Full Council.
- 7.6.2 The Executive cannot agree a supplementary estimate if this has the effect of reducing General Fund “Not Earmarked” Reserves below £20m (based upon the latest projections of expenditure).

# PART 2 - FINANCIAL PROCEDURES

## 1. GENERAL

### **Contact: Internal Audit**

- 1.1 These procedures outline the approved system of corporate financial control to secure the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972 and must be adhered to by all.
- 1.2 The Director of Finance will add, amend or delete these procedures to reflect the overall needs of Departments and changing circumstances such as, price increases affecting financial thresholds.
- 1.3 Each Chief Officer is responsible for ensuring that these procedures are strictly adhered to, throughout the department under their control.  
  
Except where otherwise stated, all references in these Regulations to "Chief Officer" should be read as meaning heads of department but this includes all officers that are carrying out duties on behalf of a Chief Officer. Such delegation by Chief Officers should be formally approved and documented.
- 1.4 Each Chief Officer should ensure that all staff in their department are made aware of and fully understand the requirements and implications of Financial Procedures as far as they relate to their professional duties and responsibilities. However, this does not remove the requirement for all staff to make themselves conversant with these procedures and comply with their requirements.
- 1.5 Consultants or agencies acting for the Council will be bound by these procedures and it should be a condition of their employment or engagement that they do so. The provisions of these procedures shall also apply to services carried out under agency arrangements for and other Authority or organisation, except where otherwise required by that Authority.
- 1.6 The Director of Finance is ultimately responsible for interpreting these Procedures and determining what is considered "substantial", "significant", "adequate", "prompt" etc. as required by these Procedures. Contact details are given at the start of each procedure to facilitate the provision of advice

from Director of Finance's Department. However, in the majority of day-to-day cases it is envisaged that officers will seek advice from their Departmental Head of Finance.

- 1.7 Substantial breaches of the procedures shall be reported to the Director of Finance and the Portfolio Holder by the relevant Chief Officer and may be treated as disciplinary offences. Where the Director of Finance considers it appropriate he will report to the next meeting of the Audit Sub-Committee any substantial breach of these Regulations that is identified.
- 1.8 The Director of Finance shall be responsible for ensuring the Council's continuing compliance with the Accounts and Audit Regulations 2015 and all relevant Accounting Codes of Practice and Auditing Standards.
- 1.9 As such, no report having financial implications shall be submitted to Members without adequately timed prior consultation with the Director of Finance. Any such report that has financial implications shall be drafted in accordance with the "Code of Practice on Drafting Financial Implications in Committee Reports". (Appendix 3)
- 1.10 These procedures shall be reviewed regularly by the Director of Finance but at least every 3 years. The General Purposes and Licensing Committee should approve all amendments and summaries of changes resulting from reviews of codes of best practice, procedures or explanatory notes. Relevant financial thresholds (e.g. write-offs, petty cash payments) should additionally be reviewed against inflation on a regular basis.
- 1.11 As suggested good practice it is recommended that these Procedures be applied to transactions relating to any Amenity or Voluntary Funds handled by staff in the course of their duties.
- 1.12 The accounting policies are set out in the statement of accounts, which is prepared at 31st March each year, and covers such items as:
  - Separate accounts for capital and revenue transactions
  - The basis on which debtors and creditors at year end are included in the accounts
  - Details on substantial provisions and reserves
  - Fixed assets
  - Depreciation
  - Capital charges
  - Work in progress

- Stocks and stores
- Accounting for value added tax
- Government grants
- Leasing
- Pensions

1.13 Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibility for stewardship of public resources. The Authority has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to External Audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy and efficiency

## **2. PREPARATION OF BUDGETS**

**Contacts: Heads of Finance / Technical (Capital Programme)**

### **Revenue Budget**

- 2.1 Prior to the start of the revenue budget process, Chief Officers will submit to the Director of Finance, in accordance with a timetable laid down by the Director of Finance, projections of anticipated real changes (including statutory and demographic factors) over a predetermined period for the services that they manage, this will be for at least three years. Chief Officers will also submit to the Director of Finance appropriate supporting information and documentation as specified by them. The Director of Finance will use this information to compile a forecast of the Council's revenue expenditure and income for consideration by the Executive.
- 2.2 Prior to each financial year, in accordance with a timetable laid down by the Director of Finance, draft estimates of income and expenditure for the ensuing year will be prepared jointly by each Chief Officer for the Service(s) they manage and the Director of Finance, for presentation to the Executive.
- 2.3 The Director of Finance shall then ensure that the summarised budgets for all Departments are presented, together with an estimate of the sums necessary to meet anticipated inflation and other specific items for the following financial year to the Executive to allow them to recommend a levy to the Council before the end of the preceding February.

### **Capital Programme**

- 2.4 Capital programme procedures must be followed in accordance with the manual of Capital Programme Procedures.

<https://onebromley.bromley.gov.uk/HDoI/ManKit/wikisite/Wiki%20Pages/Council's%20Capital%20Programme.aspx>

- 2.5 The Director of Finance is responsible for ensuring that the programme is prepared on an annual basis. This programme will be considered by the Executive before submission to the Full Council.

### 3. BUDGETARY CONTROL

#### Contact: Heads of Finance

- 3.1 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits, and sets the level at which funds may be reallocated within budgets
- 3.2 Budget management ensures that once the budget has been approved by Full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Authority to review and adjust its budget targets during the financial year. It also calls to account managers responsible for defined elements of the budget.
- 3.3 By continuously identifying and explaining variances against budgetary targets, the Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Authority in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.
- 3.4 Chief Officers are responsible for the control of their department's expenditure and income in accordance with the Council's approved "Principles and Budgetary Control Procedures"  
[https://www.bromley.gov.uk/downloads/file/6334/lb\\_bromley\\_budget\\_202021](https://www.bromley.gov.uk/downloads/file/6334/lb_bromley_budget_202021)
- 3.5 No officer shall incur expenditure outside the limits of the annual revenue budget or the approved capital programme, as amended from time to time by the Executive, except as provided for by the "Principles and Budgetary Control Procedures."
- 3.6 Even if there is insufficient budgetary provision a Chief Officer may incur expenditure that is necessary to carry out any repair, replacement or other work which is of such extreme urgency that it must be done immediately. When such an occasion arises, the Chief Officer shall advise the Director of Finance and report to the Executive. In the event of a major environmental disaster or a full scale emergency this can be done retrospectively.

- 3.7 The relevant Chief Officer must consult the Director of Finance on any matter within their control that could materially affect the financial position of the Council.
- 3.8 The Authority is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Authority's plans and policies.
- 3.9 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Full Council. Budgets (spending plans) are needed so that the Authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an Authority to budget for a deficit.
- 3.10 Medium-term planning (or a three to five year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium term plan. This ensures that the Authority is always preparing for events in advance.
- 3.11 A report on the final accounts will be submitted by the Director of Finance to the General Purposes and Licensing Committee as soon as practical after the end of each financial year. The final accounts will be approved by the GP & L Sub Committee on behalf of the Council annually.
- 3.12 The Local Authority must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the Authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.
- 3.13 Capital expenditure (including use of capital grants) involves acquiring or enhancing fixed assets with a long term value to the Authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- 3.14 The Government places strict controls on the financing capacity of the Authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.



- 3.15 Chief Officers must comply with guidance concerning capital schemes and controls issued by the Director of Finance.

## **4. ACCOUNTING ARRANGEMENTS**

**Contacts: Heads of Finance / Internal Audit**

### **4.1 Introduction**

- 4.1.1 Chief Officers and Heads of Finance are responsible for maintaining all accounting and financial records for systems under their control, including automated or computerised systems, in a form approved by the Director of Finance.
- 4.1.2 The Accounts & Audit Regulations 2015 require that the Authority's accounting system and the form of their accounts and supporting accounting records shall be determined by the responsible financial officer.
- 4.1.3 Where new financial systems are proposed or significant amendments are planned to existing financial systems, the Director of Finance's advice shall be sought. No changes to any accounting procedures or form of accounts shall be made without the approval of the Director of Finance.
- 4.1.4 Each Chief Officer shall, in consultation with the Director of Finance, prepare such financial instructions as are considered necessary for the proper financial management, operation and control of the services for which they are responsible, in accordance with Financial Regulations and procedures.
- 4.1.5 Such financial instructions shall, in accordance with the Accounts & Audit Regulations 2015, contain measures to:
- Ensure that the financial transactions of the Authority are recorded as soon as reasonably practical and as accurately as reasonably possible;
  - Enable the prevention and detection of inaccuracies and fraud; and
  - Facilitate the ability to reconstitute any lost records.

## **4.2 Separation of Duties**

4.2.1 Each Chief Officer is responsible for ensuring, so far as is reasonably practicable, that there is adequate internal separation of duties in their department in relation to significant financial transactions. For example:

- staff responsible for calculating, checking and recording monies due to or due to be paid by the Council shall not receive or make such payments;
- staff examining and checking the accounts of cash transactions shall not carry out (i.e. process) such transactions;
- staff who sign authorise orders, confirm receipt of goods or services, and certify payments shall not perform more than one function for the same transaction

## **4.3 Authorised Officers**

4.3.1 Each Chief Officer, in consultation with the Departmental Head of Finance, shall determine which officers in their department are Authorising Officers for all main financial transactions on their behalf. These should as a minimum include:

- orders for goods, works or services;
- payment of accounts;
- travel, subsistence and special assistance claims;
- payroll documents (e.g. overtime claims, timesheets)
- recommendations for write-off

4.3.2 The appropriate Chief Officer shall supply up to date details of all authorised officers together with copies of their specimen signatures or authorisation evidence, and any financial limits that apply to Accounts Payable. Additionally, copies of these lists and specimen signatures or evidence of authorisation shall be provided to the Director of Finance where prime documents are processed under procedures within their control (e.g. recommendations to the Director of Finance to write off bad debts).

## 4.4 I-Procurement

4.4.1 All orders for goods, works and services should be placed via the i-Procurement system unless the following apply:

- The Order originates from an established finance element of a service specific system (e.g. Confirm, Care First or successor systems), or
- Where agreed by the Director of Finance

4.4.2 The following role definitions will apply when orders are raised on the i-proc system:

- Requisitioning Officer Role:*** an officer authorised by their Chief Officer to raise order requisitions on the i-Proc system on behalf of the Council. They would identify the potential supplier, check budget provision is available and best value is obtained, either by using the “Lead Officer” recommendation or their own knowledge and experience, and in accordance with section 6 and Contract Procedure Rules.
- Receipting of goods Role:*** an officer who confirms on the i-Proc system that goods/services have been received. The officer fulfilling this role must have first-hand knowledge that the goods have been received and will be held accountable for funds subsequently released where the corresponding goods have not been received. This role can be completed by the requisitioning officer or an individual other than the approving officer.
- Approving Officer Role:*** an officer other than a) designated by their Chief Officer to authorise individual orders in accordance with the approval hierarchy. In approving an order the approving officer is confirming that all relevant Financial Regulations and procedures have been complied with and that there is adequate budgetary provision to cover the resulting expenditure.

Where the received invoice legitimately exceeds the order amount by more than 2% by value, an approving officer must approve an amendment to the order (submitted by the requisitioning officer of the original order) which must also meet the above requirements.

4.4.3 The following role definitions will normally apply for non i-Proc processes (notwithstanding that different terms may be in common day to day use within departments):

**a) *Initiating Officer Role:*** an officer authorised by their Chief Officer to authorise official orders on behalf of the Council. They would normally identify the potential supplier, ensure budget provision is available and best value is obtained, either by using the “Lead Officer” recommendation or their own knowledge and experience, and in accordance with Contract Procedure Rules.

Departments may of course prefer that one officer completes an order requisition form for authorisation by a manager but this is not a requirement of Financial Procedures (see Section 6). In such cases, it may be that the manager takes responsibility for checking budget provision and demonstrating best value. However, the manager who authorises the order is deemed the Initiating Officer and they therefore cannot then receive the goods, or authorise or certify the invoice.

**b) *Authorising Officer Role:*** an officer, other than (a) or (c), who passes an invoice for certification, having confirmed receipt of goods or services and checked arithmetical accuracy, quantities, prices etc. to the original order. This officer may in practice be the person who requested the goods/ services as they will often be best placed to confirm the order has been delivered accurately.

**c) *Certifying Officer Role:*** an officer other than (a) or (b), designated by their Chief Officer to certify individual invoices for payment. In certifying an invoice for payment the Certifying Officer is indicating that all relevant Financial Regulations and procedures have been complied with and evidenced in paying the invoice, prior to input and certification onto Accounts Payable.

## **4.5 Write-Offs**

- 4.5.1 No uncollectable amounts, including bad debts, should be written off except with the approval of the Director of Finance, whether exercised personally or properly delegated by them to a member of their staff for this purpose.
- 4.5.2 Further guidance in this area is given in Income Collection, section 12 and Write off procedures, section 24 of these Financial Procedures.

## **4.6 Retention of Documents**

- 4.6.1 Chief Officers shall be responsible for ensuring that the accounts and supporting records of the Authority are maintained securely in accordance with proper practices and for the safe custody and proper use of controlled stationery (i.e. having an implicit monetary value) within their department.
- 4.6.2 Chief Officers shall also ensure that accounting records are retained in safe custody for such period as shall be determined by the Director of Finance and no voucher or other document shall be destroyed before the specified period has elapsed. Details of the minimum periods for which certain records are to be retained are included in the Bromley Corporate Retention Schedule; open the Finance Schedule or other relevant schedules as required. (Appendix 2)  
[Bromley Corporate Retention Schedule](#)
- 4.6.3 The ultimate disposal of financial records should be arranged by each Chief Officer as “confidential waste” and on no account should sensitive information be disposed of through the normal waste collection process.

## **4.7 External Arrangements/Partnerships**

- 4.7.1 The Director of Finance must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory and must also consider the overall corporate governance arrangements in respect of financial issues when arranging contracts with external bodies. The Director of Finance must also ensure that the financial risks have been fully appraised before agreements are entered into with external bodies.

4.7.2 Chief Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

4.7.3 The Relevant Portfolio Holder is responsible for approving the contractual arrangements for any work for third parties or external bodies where the contract value exceeds £500,000 and is within the Council budget.

#### **4.8 External funding**

The Director of Finance is responsible for identifying all the financial implications, including long term issues, resulting from entering into agreements with external bodies. He/ she is also responsible for ensuring that all funding notified by external bodies is received and properly recorded.

## 5. AUTHORISATION LIMITS

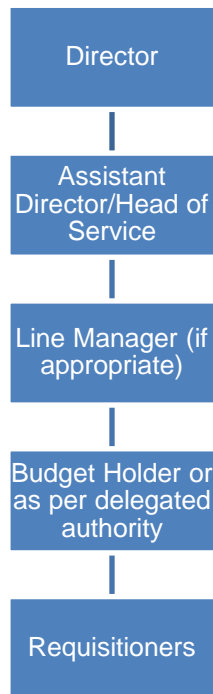
**Contacts: Director of Finance / Internal Audit**

### 5.1 Authorisation Limits for placing of orders and payments

- 5.1.1 It is the responsibility of Chief Officers to ensure that a proper scheme of delegation has been established within their area and is operating effectively.
- 5.1.2 The scheme of delegation should identify staff authorised to act on the Chief Officer's behalf, or on behalf of the Executive in respect of payments, placing orders, together with the limits of their authority.
- 5.1.3 Any delegated authority under the scheme of delegation authorised by a Chief Officer must be in accordance with the Council's Contract Procedure Rules.
- 5.1.4 The approval limits (other than listed exemptions) are shown below and these apply to any orders placed via i-proc and any certification through AP1 or 2 after Contract Procedure Rules have been complied with.

<b>Amount of order or payment</b>	<b>Director</b>	<b>Assistant Director/Head of Service</b>	<b>Line Manager (if appropriate)</b>	<b>Budget Holder or as per delegated authority</b>
£1m and above	✓			
£500,000 up to £999,999	✓			
£250,000 up to £499,999	✓			
£100,000 up to £249,999	✓	✓		
£50,000 up to £99,999	✓	✓	✓	✓
£5,000 up to £49,999	✓	✓	✓	✓
Up to £4,999	✓	✓	✓	✓





5.1.5 A requisitioner will be able to raise requisitions on i-proc but they will not be able to approve orders. If the value of the requisition is less than £5,000 the requisition will be automatically routed for approval and order generation subject to the departments scheme of delegation. If the requisition value exceeds an approver's limit the requisition will be routed straight to the 1st appropriate management level above for approval.

## 5.2 Listed Exemptions

5.2.1 However there are other payments/ actions that require authorisation which Chief Officers should include within their Scheme of Delegation.

5.2.2 A list of the exceptions from i-proc and AP1/2 certification limits are detailed below:

1. Travel Expenses and Petty Cash (inc signature on cheque book) – *Budget Holder, Line Manager, Assistant Director/Head of Service or Director*
2. Timesheets Agency - Staff *Budget Holder, Line Manager, Assistant Director/Head of Service or Director*
3. Overtime Claim and Car Mileage – *Director, Assistant Director/ Head of Service*

4. Special Leave, Ex-gratia Payments, Season Ticket loans, Interview Expenses - *Budget Holder, Line Manager, Assistant Director/Head of Service or Director*
  5. Income write offs - *Assistant Director/Head of Service or Director plus Head of Finance as per Financial Regulations 24*
  6. Panel Decisions – *Adults and Children’s Social Care - Chief Officer’s scheme of delegation list.*
  7. Manual BACS/CHAPS Payment Authorisation – *Finance officers only.*
  8. Cheques over £50k and BACS - *Finance officers only*
  9. Investment Payments - *Technical Group only (senior accountant and above)*
- 5.2.3 The authorisation for the above should be locally managed by the Chief Officer for their Department. The completed authorised signatory form should be forwarded to Accounts Payable [ApManBrom@liberata.com](mailto:ApManBrom@liberata.com) to be held in their records. Any changes should be notified immediately that they occur and not as a result of an update requested by Accounts Payable Department.
- 5.2.4 Manual signatures can be captured by various types of equipment including scanners, photocopiers and fax machines. Once acquired, signatures can be transmitted electronically and copied between files, as well as being printed on paper documents.
- 5.2.5 An electronic document, such as an email, Word file or fax, containing a digitised signature is nowadays considered to be no different from a paper one which has been signed manually.
- 5.2.6 It is therefore important that individuals use images of their own signatures with care and that there are controls over the use of other people's digitised signatures.
- 5.2.7 Whereas for internal e-mails there is an assumption that they are from a verifiable source, you should seek assurances that external e-mails are similarly from a secure source.

Examples of electronic signatures are:

- Typed name
- E-mail address
- Scanned image of a signature
- Automatic e-mail signature

- 5.2.8 Images of signatures should be used only when essential and internally within the organisation.
- 5.2.9 Electronic signatures will not override instances where signatures or a seal is required e.g. contracts over £200k or where there is a legal requirement.

## **6. ORDERS AND CONTRACTS FOR GOODS, WORKS AND SERVICES**

### **Contacts: Legal / Internal Audit**

- 6.1 Public money should be spent with demonstrable probity and in accordance with the Authority's policies. Local Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Authority's contract and procurement rules.
- 6.2 Every officer and member of the Authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Authority, in accordance with appropriate codes of conduct.
- 6.3 Apart from petty cash and other payments from advance accounts, the normal method of payment from the Authority shall be through the banks' automated clearing system (BACS) or other electronic transfers of funds drawn on the Authority's bank accounts such as CHAPS or by cheque.
- 6.4 All orders should be raised on the i-Procurement system. Where this is not possible unique pre-numbered official hard copy orders should be raised, any exceptions should be agreed by the Director of Finance.
- 6.5 Chief Officers are responsible for the control of all orders held and issued by their department. They should determine which officers in their department should be allowed to be Initiating Officers and raise and authorise orders on their behalf.
- 6.6 It shall be the responsibility of an officer issuing an order to ensure, as far as is reasonable and practicable, that value for money is obtained in respect of each transaction. All arrangements for using Electronic Ordering, (other than through the Councils corporate - procurement system) needs the approval of the Procurement Section. Permission will be subject to proper audit trails and safeguards being in place.
- 6.7 An official order, or its equivalent, must be raised for all goods, works and services except where one or more of the following apply:
  - (i) Where a specific formal contract exists which does not incorporate any facility for the regular draw-down of services;

- (ii) Rents, business rates, council tax and utility services as supplies of a continuous and obligatory nature;
- (iii) Petty cash payments

**Where hard copy official orders, are used they shall as a minimum:**

- (iv) be clearly identifiable as an order from the London Borough of Bromley, including invoice address, officer contact etc.;
- (v) be serially numbered;
- (vi) be physically authorised by an authorised signatory;

6.8 Provided that the Director of Finance is fully satisfied, the method by which an official order is issued shall be at the discretion of the Initiating Officer, having regard to the requirements of this procedure, and the supplier e.g. by post or (with the Director of Finance' initial approval) by internet e-mail or via the supplier's web site. A copy of all authorised orders should be retained in the form issued.

6.9 In exceptional cases only, an oral order may be made. In such cases a confirmation order must be issued. The confirmation iProc order should be despatched the same day where possible and certainly no later than within two working days and should be clearly marked "confirmation only".

6.10 All goods, works and services ordered shall be for the exclusive use of the Council or an organisation which has established arrangements to make purchases through the Council's accounts.

6.11 All leasing arrangements must have the Director of Finance's prior approval.

**Orders and Authority**

6.12 No order shall be raised unless there is uncommitted budgetary provision to meet the estimated cost unless it relates to works necessary within Section 3.3 of these procedures.

## Minimum Requirements

- 6.13 Before placing an order the Initiating Officer shall estimate the probable cost of the goods works or services required. This estimated cost will determine the normal procedures to be followed in obtaining quotations or tenders. These procedures are outlined below:
- a) Up to £5,000 one oral quotation (confirmed in writing where the estimated cost or value exceeds £1,000) using the appropriate approved list
  - b) Over £5,000 – follow the Contract Procedure Rules

## 7. CONTRACT PROCEDURE RULES

**These are now contained in the Procurement part of the Managers Toolkit.**

7.1 Contract Procedure Rules must be complied with as applicable

Contract Procedure Rules

## **8. PAYMENT OF ACCOUNTS**

**Contacts: Internal Audit (Certification Controls) / Accounts Payable Accountancy (FIS Accounts Payable)**

### **8.1 PAYMENTS**

- 8.1.1 The Director of Finance is responsible for making safe and efficient arrangements for all payment of accounts. All payments on behalf of the Council shall therefore be made by the Director of Finance or under arrangements approved by them. All payments should be made through one of the Council's E payment systems (i-Proc; Social Care Information System; Confirm) wherever possible and unless otherwise agreed with the Director of Finance. Where this is not possible an agreed manual process system may be used.
- 8.1.2 Payments should be made against official invoices (or their equivalent e.g. Contractor Certificate of Payment) received from suppliers, and not against statements, delivery notes etc. The Director of Finance must specifically approve exceptions to this requirement, taking account of the risk and any compensating controls in place (e.g. Residential Care payments are currently exempted from this specific requirement).
- 8.1.3 Payment against copy invoices (i.e. duplicates / photocopies) should only be made where detailed checking has confirmed that no payment has been made against an original and the Certifying Officer should endorse the copy invoice to that effect. E-mailed invoices are acceptable with the approval of the Director of Finance, or their delegated representative.
- 8.1.4 The Director of Finance shall be responsible for deciding the most appropriate method of payment for categories of invoice. Payments will normally be made via electronic transfer (BACS); cheque payments should only be made by exception where a BACS payment is not possible. Where there is no practical alternative (e.g. remittance advice required), cheques should normally be despatched independently of Certifying Officers and other ordering or payments staff. Payments via BACS should only be made where the bank details have been confirmed by the supplier and checked by the Accounts Payable team.
- 8.1.5 Payments in advance should only be made where there is no practical alternative, and the reasons should be recorded. Payments should not be



made in advance of goods or services being delivered. Any invoice subsequently obtained should be filed with the original payment documentation, and endorsed appropriately to prevent duplicate payments.

8.1.6 Payments must be made under the Council's normal payment procedures unless there is good reason to make payments as urgent (e.g. to obtain a discount). In exceptional circumstances the Director of Finance will prepare manual cheques for urgent payments (i.e. where required immediately) but two Authorised signatories will be required.

8.1.7 The following checks should be conducted for all invoices received:

- Establish whether the invoice relates to an i-Proc order, a Confirm order, a Social Care Information System order or a purchase card payment.
- The invoice is correctly due and has not already been paid.
- The invoice matches or part matches the order.
- The goods or services billed for have been received.
- The invoice is arithmetically correct.
- Where VAT is charged the invoice is a valid VAT invoice.

8.1.8 Where an invoice is received with a corresponding purchasing card slip, this indicates that payment has already been made through use of a purchasing card. The invoice should be sent to the Cardholder (if shown on the invoice) or otherwise sent to Corporate Procurement.

8.1.9 Where the invoice relates to an i-Proc order the following additional checks should be undertaken:

- The i-Proc order number has been included.
- The value of the invoice does not cause the total amount and/or quantity allocated against an order to be exceeded by more than the tolerance set within i-Proc.

8.1.10 Where the above are satisfied the invoice should be passed for payment promptly.

- 8.1.11 If the value of an invoice relating to an i-Proc order causes the value of the i-Proc order to be exceeded by more than the tolerance then approval to change the value of the i-Proc order must be obtained.
- 8.1.12 Other anomalies should be referred to the supplier and a correct invoice supplied for payment.
- 8.1.13 Where on some occasions the invoice is correctly due, has not been paid previously and should have had an i-Proc order raised at the time the decision to purchase was made then the checks at FP8.1.7 should be conducted, an i-Proc order raised retrospectively, authorised and the invoice paid against it.
- 8.1.14 An i-Proc order is not required where one or more of the following apply:
- (a) i-Proc is unavailable
  - (b) The invoice is a utility bill
  - (c) The payment relates to an AP2
  - (d) The payment has been approved via a feeder system, e.g. CONFIRM
- 8.1.15 An AP1 should be completed in all cases matching 8.1.14 a) or 8.1.14b). Utility Bills are exempt from the above authorisation controls.
- 8.1.16 Each Chief Officer shall arrange a suitable division of staff duties within their departments so that the officer who certifies an individual AP1/AP2 for payment shall not be the person who either approved the order or requisition, or has confirmed the receipt of goods or completion of the work concerned.
- 8.1.17 Chief Officers should ensure that all invoices input onto Accounts Payable for payment have been properly authorised and certified, with evidence of at least three designated officers having been involved in the whole process (ordering / receipt of goods or services / payment). The Director of Finance must specifically approve exceptions to this requirement e.g. where authorisation / certification is performed electronically or where less than three officers are involved in the process.
- 8.1.18 Chief Officers may delegate the authority to certify invoices to designated officers within their department. Chief Officers must supply to Accounts

Payable up to date details of such officers together with specimen signatures or evidence of authorisation and any financial limits that apply.

## **8.2 Checking Required**

- 8.2.1 The overriding principle to be adhered to is that authorisation and certification checks should be meaningful. To this end, they should be carried out and evidenced by those officers who are in a position to judge, for instance, whether goods / services have actually been received or whether invoice prices are correct. The evidence should also be unambiguous e.g. an isolated signature on an invoice does not make it clear what has been checked or what is being authorised or certified and is therefore not acceptable.
- 8.2.2 The certifying of individual invoices that do not relate to i-Proc orders shall only be made in writing on the AP1/2 form (or its equivalent).
- 8.2.3 No invoice shall be passed for payment unless it either relates to an i-Proc order (or other approved electronic ordering method, e.g. Confirm/ Social Care Information System) or the Certification “section” of AP1/AP2 is completed.
- 8.2.4 No alterations should be made to AP2 forms once they have been certified for payment. If an error is subsequently highlighted the form should be returned to the officer who certified the payment for correction. In situations where the AP2 form cannot be returned to the certifying officer, another authorised officer should certify the amendment on the AP2 form.
- 8.2.5 Certifying Officers are responsible for ensuring that adequate checks are performed and evidenced prior to the payment of an invoice to satisfy themselves that the payment is accurate and due to be paid.

8.2.6 The following checks are regarded by the Director of Finance to be good practice.

For all invoices, that:

- a) Where appropriate, a match is made with the official order, agreement, Council resolution or other document authorising the expenditure (this is done automatically by the i-Proc system);
- b) Prices are in accordance with quotations or are otherwise reasonable (this is done automatically by the i-Proc system);
- c) That the invoice arithmetic is correct;
- d) Goods have been received, examined and approved with regard to quantity and quality and / or that work done or services rendered have been satisfactorily carried out or provided (except in those cases approved by the Director of Finance at FP 8.2.7 -8.3.2 e.g. maintenance works where no adverse comments have been received);
- e) Where VAT is charged that the invoice carries the VAT registration number of the supplier;
- f) The invoice has not been previously passed for payment;
- g) The invoice is a proper liability of the Council, has been duly authorised (either via a corresponding i-Proc order (or other approved electronic ordering method, e.g. Confirm/Social Care Information System ) or an AP1/AP2 where an i-Proc order is not appropriate) and is, to the best of the Certifying Officer's belief, legal expenditure.

For a sample of invoices, additional pre or post payment checks as follows, that:

- a) Expenditure codings are correct. This must be one of the cost centre codes included in the budget holder's area of responsibility and must correspond with the type of goods, works or services described on the invoice;
- b) VAT issues have been complied with where they apply and any VAT has been properly accounted for (NB VAT invoices should never be amended by officers and attention is drawn to the Director of Finance);
- c) Where appropriate, that any assets have been entered into the relevant departmental inventory or stores record (see Section 17).

8.2.7 The Director of Finance recommends the following as the appropriate sample for these additional checks:

<u>Value of Invoice</u>	<u>% to be checked</u>
Under £2,500	5
£2,500 - £10,000	20
Over £10,000	100

8.2.8 Officers certifying batches of invoices onto the Accounts Payable system should carry out sufficient checks to ensure that corresponding i-Proc orders exist, or AP1's or their equivalents are appropriately signed off and that the amounts and supplier details on the invoice match the certification document.

### **8.3 Verification of Goods / Services Received**

8.3.1 In recognising the practical difficulties associated with verifying the supply of goods or services received in certain circumstances the following approved exceptions will apply to the requirements at paragraph 8.2.6(d) above. In these circumstances for non i-Proc related expenditure the Goods / Services box on the relevant AP1 may be marked by the Authorising or Certifying officer as "not applicable" or "n/a".

8.3.2 However, officers responsible for such systems should ensure, in liaison with Internal Audit, that they design and implement sample checks on goods / services received which are appropriate to the level of risk and available resources. In particular, the Directors of Education, Adults & Children's Social Care Services should make proper arrangements for the linkage of service visits and inspections to the systems in place for the checking of goods and services received.

### **8.4 Maintenance**

8.4.1 Invoices relating to building maintenance works or personal care aids and adaptations for which there is no corresponding i-Proc order may be certified on the basis of "no adverse comments received". Site inspections must still be performed wherever practicable, using either the sample sizes recommended by the Director of Finance at FP8.2.7 or in Education, Adults and Children's Social Care Services by inspecting as part of pre-arranged visits from care managers.

## **8.5 Placements**

Education, Adult & Children's Social Care Service placements e.g. in temporary accommodation, children's day care or with permanent and temporary residential placements, may be certified without prior physical inspection provided that: (a) the invoice is independently matched to the approved official order (or its equivalent) and (b) certifying officers promptly take account of information received from care providers and any relevant compensating controls already in place within the system e.g. visits to clients by care managers, temporary accommodation registration signing sheets, adverse comments received from clients when making financial contributions.

## **8.6 Direct Care**

As with placements, invoices relating to homecare services (e.g. personal and domestic care) may be certified without prior physical inspection provided that: (a) the invoice is independently matched to the approved official order (or its equivalent) and (b) certifying officers promptly take account of information received from care providers and any relevant compensating controls already in place within the system e.g. visits to clients by care managers, adverse comments received from clients when making financial contributions.

## **8.7 Creditors Provision**

As soon as is practicable after the end of each financial year Chief Officers at the request of the Director of Finance must provide details of the outstanding payments relating to that year for which creditors provision should be made in the final accounts.

## **8.8 Late Payment of Debts**

Guidance on Late Payment of Debts legislation is set out in the [Appendix 5](#)

## **8.9 Purchasing Cards**

- 4 Purchasing Cardholder Procedures issued to officers must be complied with as applicable. The policy and procedures relating to purchase cards can be found by following the link below

[http://onebromley/BA/Pub\\_Res/Pub\\_FMD/Pub\\_proc/Pages/PurchCards.aspx](http://onebromley/BA/Pub_Res/Pub_FMD/Pub_proc/Pages/PurchCards.aspx)

## 9. IMPREST ACCOUNTS & PETTY CASH

### Contacts: Corporate Finance / Internal Audit (Internal Controls)

- 9.1 The Director of Finance may, at his discretion and at the request of Chief Officers, make available imprest accounts to facilitate the cost-effective payment of minor items of expenditure on behalf of the Council. Petty cash payments should only be used when there is no other alternative.
- 9.2 Where appropriate, the Director of Finance shall open an account or personally approve arrangements for the opening of an account with the Council's bankers for use by a named and responsible officer nominated by the relevant Chief Officer who will be the imprest holder. Under no circumstances is such an account to be allowed to become overdrawn.
- 9.3 Any officer to whom an imprest has been made available shall be responsible for the control and operation of the imprest account. In particular, each such officer shall:
- a) Ensure that vouchers are obtained and retained to substantiate payments made;
  - b) Ensure that receipts, where possible, relating to expenditure from an imprest are attached to the relevant voucher;
  - c) Ensure the safe custody of imprest monies and cheques in their possession;
  - d) Restrict the amount of any individual payment to £250 (including VAT), unless prior approval has been obtained from the Director of Finance. (This approval will normally be delegated to the relevant Head of Finance). Imprest holders must not sub-divide payments to a single recipient;
  - e) Properly account for VAT on all imprest account transactions (see Section 10), and ensure that HMRC requirements are fully complied with. **NB a till receipt for items > £250 is not sufficient for VAT return purposes;**
  - f) Account to the appropriate Chief Officer for the amount advanced on leaving the employment of the Council or otherwise ceasing to be responsible for holding the imprest.
  - g) Ensure that the account is reconciled regularly, that regular reimbursement is sought and that the adequacy of the imprest amount / continuing need for the imprest is regularly reviewed;
  - h) Sign a statement at the end of each financial year confirming the amount of the imprest held. This should also be counter-signed by a senior officer.



- 9.4 No sums received on behalf of the Council may be paid into an imprest account but shall be banked separately.
- 9.5 Every transfer of an imprest account from one member of staff to another shall be evidenced in the records of the department concerned by the signatures of the officers concerned.
- 9.6 The general principle of imprest accounting is that at any time the cash and bank balance, together with the aggregate value of any receipts on hand, unreimbursed claims and cheques not credited should total the approved imprest account balance. At no stage should the cash balance be allowed to fall below zero.
- 9.7 If it becomes apparent that the current level of imprest is insufficient, the items on which the imprest is expended should be reviewed. If it is clear that there is no reasonable alternative to expenditure through the imprest, a formal request in writing to have it increased should be made to the Director of Finance. (This approval will normally be delegated to the relevant Head of Finance).
- 9.8 No officer shall authorise their own claims from an imprest account. Certification by or under delegation from a Chief Officer shall be taken to mean that the certifying officer is satisfied that the expenses and allowances claimed are properly and necessarily incurred and are properly payable.
- 9.9 Expenditure which should form part of the payroll system and should be processed through the HR system including car allowances and travel shall not be processed through imprest accounts.
- 9.10 The encashment of personal cheques and the advancing of loans from an imprest is strictly forbidden.

### **Petty Cash**

- 9.11 All relevant Financial Procedures above, and specifically paragraph 9.3, shall also apply to petty cash floats.

- 9.12 All departments holding petty cash should ensure that, at all times, cash is adequately secured. As a minimum this should be in a cash box within a lockable drawer.

## 10. VAT

**Contact: Corporate Finance**

- 10.1 Chief Officers must ensure that VAT is identified and correctly accounted for in respect of all income and expenditure (including imprest) in accordance with current VAT Regulations. Failure to do so can lead to loss of income and/or imposition of penalties by HM Revenue and Customs.
- 10.2. VAT should not be paid unless the supplier's VAT registration number is shown on the invoice. Certifying officers (as defined in Section 8 of these Regulations) shall satisfy themselves that all suppliers' invoices for goods, works or services have complied with relevant VAT legislation.
- 10.3 Officers responsible for instigating income collection for the Council shall satisfy themselves that the Council has complied with the relevant VAT legislation with regard to the supply of its services.
- 10.4 VAT should only be accounted for on imprest payments where the supplier's VAT registration number is shown on the receipt.
- 10.5 All limits shown in these Regulations exclude VAT.
- 10.6 Further guidance and advice on VAT matters is contained in Financial Procedures and is also available from the Principal Accountant in the Division.

## **11. SALARIES, WAGES & PENSIONS**

**Contact: Human Resources**

### **11.1 General**

11.1.1 Staff costs are the largest item of expenditure for most local Authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Authority and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that member' allowances are authorised in accordance with the scheme adopted by the Full Council.

11.1.2 All payments of salaries, wages, pensions, compensation and other emoluments to all employees and pensioners of the organisation shall be made by the Director of HR & Customer Services or under arrangements approved by them. Salaries and wages must not be paid through the creditors system.

11.1.3 All payments, including travel, subsistence and other allowances shall be made in accordance with current legislation, HMRC Regulations and relevant decisions of the Council.

11.1.4 Each Chief Officer, or their nominated representative, shall notify the Director of HR & Customer Services as soon as is practicable of all matters affecting the payment of emoluments and in particular:

- appointments, resignations, retirements, dismissals, suspensions, secondments, transfers and deaths, and for pensions, changes in marital status, dependants and deaths;
- amounts to be recovered from pay e.g. repayment of training expenses on leaving;
- absences from duty for sickness or other reason (e.g. jury service), apart from approved paid leave;
- changes in remuneration (either permanent or temporary), other than normal increments, pay awards and agreements of general application;
- Information necessary to maintain records of service for pensions, income tax, national insurance etc. This will include information on benefits in kind necessary to complete HMRC forms P11D for employees e.g. Council leased cars;

- All time records affecting payments due.

**Notification may be by on-line entry into systems where appropriate.**

11.1.5 All salaries, wages and pension records, including those relating to 11.4 will be in a form approved by the Director of HR & Customer Services and shall be certified by an officer authorised in accordance with 11.3. All such records should be submitted to the Director of HR & Customer Services in accordance with the timetables and deadlines determined by them.

## **11.2 Self-Employed Status**

11.2.1 All payments to individuals, who consider themselves to be self-employed in respect of services provided to the Council, shall still be processed through the payroll system unless the status of the individual has been confirmed as self-employed in accordance with the latest HMRC Guidelines.

11.2.2 For further guidance contact Human Resources

## **11.3 Pension Life Certificates**

11.3.1 The Director of Finance shall ensure that life certificates are obtained in respect of pension beneficiaries living abroad at least every two years, with at least half the beneficiaries being checked each year, unless satisfactory alternative automated mechanisms are in place e.g. Tell Us Once (death notification). Also, additional information is required for child benefits for those over the age of 18.

11.3.2 The data matching of pension payrolls to official national records of deceased persons as part of the National Fraud Initiative (NFI) project has provided the first automated, cost-effective and reliable alternative to life certificates. This is significant because if a fraud is being committed, a life certificate sent out by the Council will almost certainly be returned with a false signature.

11.3.3 Records of deceased persons are now provided by the Tell Us Once to pension administrators and payrolls. In the absence of a Tell Us Once notification, an original certified death certificate is required.

## **11.4 Travel, Subsistence & Other Allowances**

11.4.1 All claims for the payment of car allowances, subsistence allowances, travelling and incidental expenses in relation to the performance of official duties shall be completed on the online HR system and paid in accordance with approved Council procedures as currently in force.

11.4.2 Below Chief Officer level, claims by officers must be certified by an appropriate line manager, authorised to do so by their Chief Officer. The certification by said officer shall be taken to mean that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Council.

## 12. INCOME

### Contact: Exchequer Services

- 12.1 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Authority's cash flow and also avoids the time and cost of administering debts.
- 12.2 The identification of all monies due to the Council is the responsibility of the relevant Chief Officer.
- 12.3 Chief Officers will take prompt action to either:
- Collect the income due within arrangements approved by the Director of Finance and Section 5 of these Regulations; or
  - Raise an account for inclusion in the Council's debtors system, to enable the Director of Finance to ensure that appropriate recovery procedures are undertaken where necessary.
- 12.4 Every remittance or sum of money received by a cashier or other officer employed by the Council or received by a contractor on behalf of the Council, shall immediately be acknowledged by the issue of an official receipt, ticket or voucher except where special arrangements have been agreed by the Director of Finance.
- 12.5 If a payer by cheque does not require a receipt, the amount should still be recorded with the receipt being retained. The form of all receipts, tickets vouchers or other official documents in use should be approved by the Director of Finance. Receipt books should be serially numbered and a register should be kept of all receipts and issues of such documents to officers, which shall be acknowledged by the signature of the recipient.
- 12.6 All monies received on behalf of the Council should be paid forthwith at the Director of Finance's instructions either to his appointed contractor or be banked direct to the credit of the Council. Every employee who receives monies shall maintain a record, in a form approved by the Director of Finance, of all amounts received and deposited.
- 12.7 Every transfer of official money from one member of staff to another will be evidenced in the records of the department concerned by the signature of the receiving officer.
- 12.8 All bankings must be made promptly and intact i.e. personal cheques should not be cashed out of money received on behalf of the Council and official expenditure should not be incurred (i.e. deducted) from monies collected and due to be banked.

- 12.9 All officers responsible for banking monies should ensure that cheque and cash payments are processed in accordance with the Cashiers Postal Receipts and Cashiers Kiosk Maintenance procedures or the Collection and Deposit process. Where individual cheques are received on the reverse of each cheque, the officer should enter the relevant reference and the name of the relevant department or division.
- 12.10 Payment Kiosks are to be used exclusively for the collection of Council income unless otherwise agreed by the Director of Finance.
- 12.11 All payments must be reconciled daily to the Cash Management System Controls and deposited into the Council's bank account within 1 working day. All unidentified income within the Cash Management System must be investigated and cleared promptly.
- 12.12 All debit/credit card payments via the Council's Cash Management System, the internet, Touch Tone system or Portals must comply to Payment Card Industry Data Security Standards (PCI DSS)
- 12.13 Responsibility for the safe keeping of all Council monies must be designated by Chief Officers to specified officers within their departments; this can include the relevant Head of Finance.
- 12.14 Where monies are held overnight, secure arrangements must exist for their safekeeping. Keys to safes and other secure containers should be carried on the person of the key-holder or kept under secure conditions. Care should be taken to ensure that the monies held do not exceed the insurance value of the secure facilities provided (see Section 15).
- 12.15 All charges determined by the Council shall be reviewed at least annually by the Executive or by officers under delegated arrangements. Such reviews should consider the possibility of introducing charges where none are currently made.
- 12.16 Any decision to write-off an amount must be taken with the authority of the Director of Finance, whether exercised personally or properly delegated by them to a member of his staff. The amounts involved, and approval granted, should be recorded in the accounting records. Write-off procedures are detailed in Section 24 of these procedures.
- 12.17 As soon as is practicable after the end of each financial year Chief Officers at the request of the Director of Finance must provide details of the outstanding debts relating to that year, for which debtors provision should be made in the final accounts.



### **13. BANKING ARRANGEMENTS**

#### **Contact: Technical**

- 13.1 All banking arrangements should be made through or by the Director of Finance, who is responsible for liaising with the Council's bankers in relation to the Council's bank accounts and the issue of cheques.
- 13.2 The Director of Finance shall be authorised to operate such subsidiary bank accounts as he deems necessary. Only the Director of Finance may open or close a bank account for dealing with the Council's funds. All bank accounts shall be in the name of the Council and never an individual.
- 13.3 An overdraft on the Council's main bank account shall be permitted only to the extent approved by the Director of Finance. Subsidiary bank accounts shall not be permitted to become overdrawn. In the event that this does happen, the appropriate Chief Officer shall ensure that corrective action is taken immediately.
- 13.4 The Director of Finance shall ensure that the Council's main bank account is reconciled at least once a month and subject to independent review, with large or unusual items investigated as appropriate.
- 13.5 The appropriate Chief Officer shall ensure that all subsidiary accounts under their control (including those operated by contractors on the Council's behalf) are reconciled at least once a month, as above.
- 13.6 Cheque stationery (other than standard cheque books for subsidiary accounts) shall be ordered only on the authority of the Director of Finance who shall ensure that adequate cheque registers are maintained and regularly reconciled to records of cheques issued by the Council.
- 13.7 Adequate security arrangements shall be maintained by the appropriate Chief Officer for all unused cheques for accounts under their control.
- 13.8 Except for cheque stationery pre-printed with a facsimile signature of the Director of Finance, cheques should only be signed by an approved signatory after the cheque (including its counterfoil) has been completed in full. They should not be pre-signed under any circumstances.
- 13.9 Every crossed cheque for an amount of £50,000 or more and every manual cheque of £1,000 or more shall be countersigned by an authorised signatory empowered by the Director of Finance.

## 14. TREASURY MANAGEMENT

### **Contact: Technical**

- 14.1 Treasury Management comprises all the borrowing and investment activities of the Authority except those relating to the Pension Fund. Specifically it includes the formulation and monitoring of strategy, cash management, debt management and banking arrangements.
- 14.2 A Treasury Policy Statement and an Annual Treasury Strategy setting out the Authority's strategy and policies for cash management, investments and borrowings (short term and long term) shall be adopted by the Council and thereafter its implementation, monitoring and review shall be delegated to the Resources Portfolio Holder. The Council shall adopt Prudential Indicators, designed to monitor and control treasury management activities, which will thereafter be monitored by the Executive.
- 14.3 All money in the hands of the Council shall be aggregated for the purposes of treasury management and shall be under the control of the Director of Finance.
- 14.4 All Executive decisions on borrowing, investment or financing (within policy parameters) shall be delegated to the Director of Finance or through them to staff designated by them, who shall be required to act in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Local Authorities. (See below).
- 14.5 All borrowing and investments shall be in the name of the Council and shall conform to any relevant regulatory requirements. The Director of Finance and his staff are required to act in accordance with the Council's treasury management policy statement as approved by the Council.
- 14.6 The Director of Finance shall report to the Resources Portfolio Holder not less than three times in each financial year on the activities of the Treasury Management operation and on the exercise of the treasury management powers delegated to them or her including monitoring compliance. One such report shall comprise the Annual Report for presentation by 30<sup>th</sup> September of the preceding financial year.

## **15. INSURANCE AND SECURITY**

### **Contact: Insurance**

- 15.1 It is the overall responsibility of the Executive to approve the Council's Risk Management strategy and to promote a culture of risk management awareness throughout the Council. The Director of Finance shall be responsible for effecting or approving the arrangements for instituting all insurance cover on behalf of the Council, and for negotiating claims, after consultation where necessary with other officers. The Director of Finance will also make arrangements to ensure that appropriate records are kept of all property and risks covered.
- 15.2 This responsibility is delegated on a day-to-day basis to the Insurance and Risk Manager in the Chief Executives Department, and covers all of the organisation's assets, as well as claims which may arise in connection with the provision of the Council's services, or from its legal liabilities as an employer, or to third parties.
- 15.3 Separate arrangements exist for Schools under the School Standards & Framework Act 1998, but the Local Authority (LA) will require the School to demonstrate that cover relevant to the LA's insurable assets, under a policy arranged by the Governing body, is at least as good as the relevant minimum cover determined by the LA if the LA makes such arrangements.
- 15.4 Every Chief Officer shall notify the Director of Finance promptly in writing of any proposals that will change cash storage or alter significantly the value of stocks or stores held, or alterations to Council buildings within their department. Any additions, deletions or alterations in the functions of the department, that could increase or decrease insurable risk should also be notified in writing. The Director of Finance will give advice as appropriate.
- 15.5 Every Chief Officer shall immediately notify the Insurance Section in writing and where appropriate, the Police upon the occurrence of any loss, damage, liability or potential liability in connection with their department. Notification is not required if the value is less than £500. Evidence supporting the claim should be provided in such form as may be required by the Insurance Section.
- 15.6 Chief Officers need to notify the Director of Finance of all cash holdings for insurance purposes. The Director of Finance will advise Chief Officers of their maximum level of cash holdings for insurance purposes.
- 15.7 Each Chief Officer is responsible for maintaining adequate security at all times for all assets under their control. All monies must be locked away when unattended.

- 15.8 Each Chief Officer is responsible for ensuring adequate reference checks are carried out for positions with financial responsibility to ensure the Council complies with its fidelity guarantee insurance arrangements.
- 15.9 Keys to safes and similar receptacles shall be in the safekeeping of those responsible at all times. The loss of any such keys shall be reported to the relevant line manager immediately.
- 15.10 Chief Officers must ensure that the Director of Finance is kept informed of any changes to the official departmental safe inventory, whether new safes or replacements.
- 15.11 All overnight cash holdings in safes must in practice be agreed with the Insurance and Risk Manager. A safe schedule will then be maintained containing relevant details e.g. location, type, permitted maximum holding and the agreed amount for the particular location. The overnight limit includes anything defined as money including paper currency, coin, bank notes, bullion, cheques, travellers cheques registered cheques postal orders and money orders.
- 15.12 The Director of Finance is responsible for ensuring that all appropriate employees of the Council shall be included in suitable fidelity insurance.
- 15.13 No employee shall admit liability, take any action or enter into any correspondence admitting liability on behalf of the Council without first consulting with the Director of Finance.
- 15.14 Any officer of the Council who is authorised to make use of their own vehicle in the execution of the Council's business shall be responsible for effecting adequate insurance cover for such use and shall produce to their Chief Officer or the Director of Finance on request evidence of the adequacy of such cover.
- 15.15 The Director of Finance shall be responsible for insuring leased cars.

## **16. STOCKS AND STORES**

### **Contacts: Head of Finance / Internal Audit**

- 16.1 Chief Officers are responsible for establishing adequate arrangements for the receipt, checking, care, safe custody and issue of stocks and stores held by their department.
- 16.2 Each Chief Officer shall ensure that stocks and stores holdings shall not be in excess of the reasonable requirements of their department. In determining reasonable requirements, due regard shall be paid to the value, usage, and reorder periods of the items concerned as well as perishability and obsolescence.
- 16.3 Each Chief Officer shall ensure that records are maintained of stores received; stores issued and balance in respect of their department. The systems used for stores accounting in departments must have approval of the Director of Finance.
- 16.4 Each Chief Officer shall arrange for regular stock taking of significant stores held by their department, preferably involving examination by officers other than the storekeeper(s). This shall include an annual stocktaking following which a certificate of stock held shall be completed, a copy of which will be forwarded promptly to the Director of Finance.

## 17. PLANT AND EQUIPMENT

### Contact: - Internal Audit

- 17.1 The Authority holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up to date asset register is a prerequisite for proper fixed asset accounting and sound asset management
- 17.2 Chief Officers are responsible for the safe custody of the plant, machinery, vehicles, furniture, equipment and other non-consumable property held within their department.
- 17.3 Each Chief Officer shall maintain inventories listing all moveable equipment (but not furniture, filing cabinets etc) in the custody of their department which:
- Cost or is valued in its current condition at more than £1,000: or
  - Is attractive and portable: and
  - Is not in store
- 17.4 The inventory should where applicable record details of make, model number etc of equipment held and wherever possible a serial number, and at least one copy should be held separately from the assets that it lists.
- 17.5 Each Chief Officer shall arrange for physical verification of the items on their inventory records to be undertaken at least annually. This verification should be evidenced in writing, signed by the officer(s) concerned and retained for audit purposes.
- 17.6 The Council's property shall not be removed except in the normal course of the Council's business or used otherwise than for the Council's purposes unless specifically authorised by the Chief Officer concerned. Where a Chief Officer authorises temporary removal of property, a formal record shall be maintained indicating where the property can be located and shall be signed by the officer responsible for its safekeeping.
- 17.7 So far as is practical, all items should be effectively marked (using current security techniques e.g. invisible ink) as Council property.

## **18. LAND AND PROPERTY**

### **Contact: - Strategic Property**

- 18.1 The Director of Housing, Planning and Regeneration shall ensure that a comprehensive terrier of all land and properties held by the Council is maintained.
- 18.2 The Director of Corporate Services shall have the custody of all the title deeds in the possession of the Council under secure arrangements.
- 18.3 The Council has adopted a Corporate Landlord approach to how it treats its operational assets.
- 18.4 The Council owns the property assets from which services are delivered or are supported. The Corporate Landlord approach sees that all decisions affecting property assets will be considered from a Corporate perspective. Service occupiers will not be free to make independent decisions regarding the use or utilisation of Council premises. The corporate landlord model applies to all Council premises including local authority controlled schools regardless of whether premises related budgets are centralised or devolved
- 18.5 Service departments are effectively “tenants” within the premises they occupy and will have defined responsibilities for the premises they occupy
- 18.6 The introduction of the corporate landlord model is to ensure good stewardship of the Council’s property assets and it is important that service occupiers understand the roles they have to play in the process.
- 18.7 Strategic Property will ensure that premises related budgets are used wisely and effectively to provide best value; buildings are used efficiently, meet legislative requirements, are properly maintained, having regard to available budgets, and accessible to service users.
- 18.8 The desired outcome is enhanced service delivery through ‘fit for purpose’ buildings which contributes to customer satisfaction with the service received. This management arrangement facilitates the efficient utilisation of property assets and the potential for realisation of operational savings.
- 18.9 The Corporate Landlord will take responsibility for providing a corporate and consistent policy/standard approach to:
- Acquisition and disposal
  - Space standards and utilisation
  - Repair and maintenance

- Premises related Health and Safety requirements
- Premises related Statutory inspections
- Security, caretaking and cleaning
- Disabled access requirements
- Utility Management

18.10 The underlying Core Principles of the Corporate Landlord model are:

- Deliver best consideration for the Council's assets in accordance with s.123 Local Government Act 1972.
- Increase income from the Council's property assets (long term revenue streams preferred to one-off capital receipts)
- Reduce expenditure on the Council's property assets
- Optimise assets to meet the Council's corporate objectives:
- Provide quality modern operational buildings for staff and customers that will help the Council to deliver outstanding service to customers and attract and retain talented professional staff.
- Release surplus operational estate for long-term revenue income and/or development
- Achieve 100% compliance (physical buildings and H&S)
- Consolidated and transparent single property budget, held by Property & Economy (ALL property income and expenditure is centralised – Services have any property cost codes/budgets removed and centralised)
- Account for full market rent for ALL buildings, including operational ones.
- Hold live Asset information that can be easily and simply reported/communicated and properly used to strategically optimise asset management as well as respond to enquiries from Members and the public.

18.11 The Insurance and Risk Manager should be informed of all acquisitions, disposals and alterations of property to ensure that the Council's insurance



schedule accurately represents the land and property held by the Council at any given time.

18.12 Under section 123 of the Local Government Act 1972, the Council has the power to dispose of land. The main caveat to this power is that the council must not do so for “a consideration less than the best that can be reasonably obtained”. This is interpreted as being the best price achievable in the open market.

18.13 The focus of the duty is on the outcome rather than any particular process being followed. That said, if a disposal were to be challenged, the Courts are likely to find the duty to obtain best consideration has not been complied with where:

- there is a failure to take proper advice;
- proper advice has been obtained but there has been a failure to follow it or reasons that cannot be justified; or
- advice has been obtained and followed, but the advice is so plainly wrong that the Council either knew or ought to have known it was acting unreasonably

18.14 There is a current General Consent (the General Disposal Consent (England) 2003), which gives consent to the disposal of any interest in land at less than best consideration where the council considers it will help it to secure the promotion or improvement of the economic social or environmental well-being of its area, subject to the condition that the undervalue (i.e. the difference between the consideration obtained and the best consideration that can reasonably be obtained) does not exceed £2million.

18.15 Should the Council wish to dispose of an asset, The Director of Housing, Planning and Regeneration shall ensure that appropriate advice is sought and reported to ensure that the requirements of Section 123 of the Local Government Act 1972 are complied with.

## 19. DISPOSAL OF ASSETS

### Contact: Internal Audit

- 19.1 Each Chief Officer is responsible for ensuring that the best possible price is obtained from the disposal of assets under their control.
- 19.2 Where the estimated current value of the asset exceeds £1,000 but is less than £50,000 the following should be considered:
- Offer the item(s) to all Council Departments;
  - Sealed tenders or offers;
  - Advertising;
  - Sale by public auction;
  - Sales to staff (this method of disposal should be used only where there are good reasons for not pursuing other alternatives and should always be by sealed offers unless otherwise agreed by the Director of Finance).
- 19.3 Where the estimated value of the asset(s) is over £50,000, the tendering procedures in Contract Procedure rules shall be followed. Subject to 19.4 where the estimated value of the asset is up to £50,000 at least three tenders should be sought and at least two should be obtained and where the asset is estimated to exceed £50,000 in value, at least four competitive tenders should be sought and at least three obtained. All tenders should be received in plain sealed envelopes bearing the word "Tender" and the subject matter to which it relates. It shall not bear any name or mark which would identify the sender. Tenders should be opened at the same time by the Initiating Officer. Where the estimated value of the asset exceeds £150,000, another officer other than the one responsible for the acceptance of the highest bid shall be present.
- 19.4 Where the assets to be disposed of consists of land or premises the procedures set out in section 18.12 to 18.15 (Strategic Property) should be followed.

## **20. INTERNAL & EXTERNAL AUDIT**

**Contact: Internal Audit**

### **20.1 Internal Audit**

The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit (England) Regulations 2015 state that “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

The Accounts and Audit Regulations require the Authority (“relevant body”) to maintain responsibility for Internal Audit, rather than the Responsible Financial Officer (RFO) designated under section 151 of the Local Government Act 1972. However, Bromley, like many other Local Authorities, has delegated this responsibility to the Director of Finance.

The Public Sector Internal Audit Standards define internal auditing as ‘an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’

Managers should ensure that auditors are provided promptly with any information and explanations that they seek in the course of their work.

Managers should consider and respond promptly to recommendations in audit reports and ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.

Where necessary, and on production of proof of identity and authority, the Head of Audit and Assurance or his staff shall have the right to enter, without prior notice, every establishment or department of the Council and require any officer, Member, teacher or governor:

- To make available all documents of the Council which relate to their accounting and other records as appear to the Auditor to be necessary for the purpose of the audit, including any information of a confidential nature;

- To supply such explanations and information as are considered necessary for the purpose of the audit;
- To produce cash, stores or any property of the Council in their custody.

## **20.2 Internal Control**

20.2.1 The Authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.

20.2.2 The Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.

20.2.3 The Authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.

20.2.4 The system of internal controls is established in order to provide measurable achievement of:

- Accomplishment of its objectives and goals
- Efficient and effective operations
- Reliable financial information and reporting
- Compliance with laws and regulations
- Risk management
- Safeguarding its assets

20.2.5 The key controls and control objectives for internal control systems are:

- Key controls should be reviewed on a regular basis and the Authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
- Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities
- Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
- An effective Internal Audit function that is properly resourced. It should operate in accordance with the principles contained in the Public Sector

Internal Audit Standards and with any other statutory obligations and Regulations.

20.2.6 An adequate and effective system of Internal Audit of the accounting records and control systems of the Authority will be maintained by the Director of Finance, under delegated authority from the Council.

### **20.3 External Audit**

20.3.1 The Local Audit and Accountability Act 2014 sets out the framework for the audit of local authorities. Public Sector Audit Appointments Limited is currently responsible for appointing the External Auditors to the Council. The External Auditor has rights of access to all documents and information necessary for audit purposes.

20.3.2 The basic duties of the External Auditor are defined in the Local Audit and Accountability Act 2014 and the Local Government Act 1999. In particular the Code of Audit Practice issued by the National Audit Office and Terms of Appointment 2015 set out, what External Auditors must follow when carrying out their duties. The Code of Audit Practice sets out the auditor's objectives to review and report upon:

- the financial aspects of the audited body's corporate governance arrangements
- the audited body's financial statements
- whether, in the auditor's view, the audited body has put arrangements in place that support the achievement of value for money

20.3.3 The Authority's accounts are scrutinised by the External Auditors, who must be satisfied that the statement of accounts give a 'true and fair' view of the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

## 21. PREVENTING FRAUD & CORRUPTION

### Contact: Internal Audit

- 21.1 The Authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Authority.
- 21.2 The Authority's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and good practices.
- 21.3 The Authority also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Authority with integrity and without thought or actions involving fraud and corruption.

Managers should ensure that fraud risks are considered in all individual systems and processes in their area of responsibility. Appropriate controls for the prevention and detection of fraud and corruption should be incorporated accordingly and operate effectively.

- 21.4 Any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or other resources must be reported immediately to the Head of Audit and Assurance in accordance with the Authority's Fraud Response Plan. The Head of Audit and Assurance, if he considers it appropriate, may conduct an independent investigation.

Any staff reporting suspicions under the 'Raising Concerns' ("whistle blowing") procedure will be dealt with in a way that shows their concerns are being taken seriously and with respect and confidentiality.

Pending investigation and reporting, the senior officer of that business area, in conjunction with Internal Audit, must take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

- 21.5 Any suspected irregularities involving senior officers or Members must be reported to the Chief Executive and the Monitoring Officer.
- 21.6 Managers must not undertake fraud investigations. Fraud investigation should only be investigated by the Greenwich Fraud Team who the Authority has a partnership agreement with via Internal Audit.
- 21.7 All staff must co-operate with any fraud investigations.

- 21.8 A decision to involve the police or other agency to investigate a suspected fraud should only be made by the Director of Finance in consultation with the relevant Chief Officer and the Monitoring Officer. This will be for circumstances where sufficient evidence exists to believe that a criminal offence may have been committed.
- 21.9 The Authority's disciplinary procedures should be instigated where the outcome of an audit or investigation indicates that improper behaviour has occurred.
- 21.10 Further guidance is contained in the Anti-Fraud & Corruption Strategy [http://onebromley/BA/Pub\\_CE/Pub\\_Audit/Pub\\_IA/Lists/News%20Items/Attachments/11/Anti-fraud%20and%20corruption%20strategy.pdf](http://onebromley/BA/Pub_CE/Pub_Audit/Pub_IA/Lists/News%20Items/Attachments/11/Anti-fraud%20and%20corruption%20strategy.pdf)

## **22. INFORMATION SYSTEMS**

### **Contact: Information Systems / Internal Audit**

- 22.1 Departments have many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. Departments are reliant on ICT for their financial management, service and other information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 22.2 The Director of Finance and Director of Corporate services respectively have a professional responsibility to ensure that the Authority's financial and ICT systems are sound and must be notified, in advance, of any new developments or changes that may affect financial management, service and other relevant information .
- 22.3 All Council financial transactions must be processed through the corporate information systems of the Authority or its approved contractors. To ensure satisfactory standards and control, these systems may only be used with the approval of the Director of Finance.
- 22.4 All Officers are responsible for ensuring the accuracy and integrity of any information input and stored within the Council's financial and management information systems.
- 22.5 The Director of Corporate Services shall ensure that adequate procedures exist to ensure compliance with the principles of current Data Protection laws and other relevant legislation including Freedom of Information and Human Rights Acts in respect of personal data held in computerised and manual information systems.
- 22.6 All employees have a responsibility to ensure that they do not cause the loss, unauthorised destruction or disclosure of personal data in contravention of such principles.
- 22.7 The Director of Corporate Services or their nominated representative is the Council's Data Protection Officer and will be responsible for maintaining a central database, recording all systems to be included in notifications to the Data Protection Commissioner. They will be



responsible for making such notifications as and when required by the Commissioner.

22.8 Chief Officers shall be responsible for ensuring that they and their staff comply with the Council's IT Security Policy and Guidelines and Data Protection

22.9 Each Chief Officer shall be responsible for ensuring that access to computer systems under their responsibility is properly controlled (e.g. appropriate use of, and regular changing of, confidential passwords) and that information is safeguarded by backup copies being taken and kept securely.

22.10 All Officers and Members should comply with the Authority's published policy; "Acceptable Use Policy for Internet and E-Mail"

[http://onebromley/BA/Pub\\_IM/TeamInfoMan/Published%20Documents/Acceptable%20use%20policy%20for%20Internet%20and%20email.pdf](http://onebromley/BA/Pub_IM/TeamInfoMan/Published%20Documents/Acceptable%20use%20policy%20for%20Internet%20and%20email.pdf)

## **23. GIFTS & HOSPITALITY**

**Contact: Director of Corporate Services**

- 23.1 All employees and Members of the Council shall be governed by the Council's Codes of Conduct for the acceptance of Gifts and Hospitality.
- 23.2 Material gifts or hospitality offered by an individual or company that does or could provide services to the Council should be refused where they are offered as an inducement to secure favour.
- 23.3 Each Chief Officer shall maintain a register of all gifts and hospitality received by individual members of staff in their department. Any hospitality or gifts accepted must be recorded in the relevant register. The Director of Corporate Services holds a separate register for Members for this purpose.

[http://onebromley/BA/Pub\\_LandDS/Pub\\_DandCS/Team\\_DandCS/Team\\_DS/Team\\_CT/Published%20Documents/Gifts%20and%20Hospitality%20Code%20of%20Conduct.doc](http://onebromley/BA/Pub_LandDS/Pub_DandCS/Team_DandCS/Team_DS/Team_CT/Published%20Documents/Gifts%20and%20Hospitality%20Code%20of%20Conduct.doc)

## **24. PROCEDURES FOR WRITE-OFFS**

### **24.1 Background**

- 1.1.1 Circumstances may arise in which amounts due must, for all practical purposes, be deemed uncollectable.
- 1.1.2 The Accounts & Audit Regulations 2015 require that in such circumstances a decision to write-off an amount must be taken with the authority of the “Section 151 Officer” (i.e. Director of Finance), whether exercised personally or properly delegated by them to a member of their staff. The amounts involved, and approval granted, should be recorded in the accounting records.
- 1.1.3 No such provisions apply where debts are “cancelled” i.e. because they were incorrectly raised (e.g. wrong amount, wrong debtor) or “waived” i.e. because an authorised policy decision was taken not to charge or to reduce the charge of an amount otherwise properly payable by a debtor.

### **24.2 Bad Debts / Loss of Income**

- 24.2.1 The Director of Finance may approve the write-off of any amounts properly charged, but deemed uncollectable, in the following cases:
- (i) bankruptcy or liquidation (where every effort should be made to minimise the loss);
  - (ii) the company having ceased trading and there being no assets;
  - (iii) the debtor being untraceable or having moved abroad;
  - (iv) court decisions;
  - (v) The debtor having no funds in their estate;
  - (vi) The debt being statute barred;

24.2.2 Other individual bad debts or loss of income, not falling into these categories, may be written off as follows:

- (i) by the Director of Finance, if it does not exceed £15,000;
- (ii) by the Director of Finance with the approval of the relevant Portfolio Holder if over £15,000 not exceeding £25,000;
- (iii) by the Director of Finance with the approval of the Executive if exceeding £25,000.

24.2.3 For those items falling within (24.2.1) and (24.2.2) above, the Director of Finance has nominated the following to approve write-offs on his behalf:\*

Heads of Finance

Named School Governors up to £1,000 for Secondary Schools

Named School Governors up to £500 for Primary Schools

Benefits Manager (Operations )

Head of Corporate Finance and Accounting Assistant Director  
Exchequer Services

24.2.4 Departments should, for this purpose, regularly notify the above Director of Finance's staff of those officers properly delegated responsibility from their Chief Officer to recommend write-offs to the Director of Finance and include specimen signatures.

### **24.3 Stocks and Stores**

24.3.1 Stocks and Stores may be written off as follows:

- (i) If not exceeding £5,000 for one set of adjustments, the balances on stock records may be adjusted by the appropriate Chief Officer to reflect actual stock levels, following such investigations as they deem necessary. If cumulative adjustments in any one year exceed £10,000 the Director of Finance must be informed;
- (ii) If exceeding £5,000 but not exceeding £10,000 the appropriate Chief Officer must obtain the approval of the Director of Finance prior to adjusting stock records to reflect actual stock records. The Chief Officer and Director of Finance will jointly determine what

investigations may be necessary for all adjustments in excess of £5,000.

- (iii) Approval of the relevant Portfolio Holder is required for adjustments exceeding £10,000.

24.3.2 Details of all write-offs must be provided to the Director of Finance.

## **24.4 Plant and Equipment**

24.4.1. Chief Officers may authorise items to be deleted from an inventory of their department where:

- (i) the item has become obsolete and / or is no longer adequate for the purpose intended;
- (ii) the item is broken or worn and of no further useful purpose;
- (iii) the item has become surplus to requirements;
- (iv) has been lost or stolen, in which case the Director of Finance should be informed.

## **APPENDIX 1 - FRAUD AND CORRUPTION PROTOCOL**

### **Introduction**

This protocol specifies how the Director of Finance and other Chief Officers should manage alleged cases of fraud or corruption. It clarifies responsibilities for carrying out investigations and advises on action to be taken.

All employees have a responsibility for the security of both the Council's assets and clients' assets where Council employees may have some involvement. Any employee who suspects any irregularity should immediately inform their Chief Officer, normally through their line manager. If for any reason an employee feels unable to raise their concern through line management, then they should go through a nominated officer under the Council's Whistleblowing Procedure.

[http://onebromley/BA/Pub\\_LandDS/Pub\\_LSD/Pages/RaisingConcerns.aspx](http://onebromley/BA/Pub_LandDS/Pub_LSD/Pages/RaisingConcerns.aspx)

The Chief Officer may, if he then considers it appropriate, conduct an independent investigation.

The Council will take legal and/or disciplinary action in all cases of fraud or irregularity where it is considered appropriate.

### **Initial Allegation or Suspicion**

Internal Audit and the appropriate Chief Officer should be promptly informed of any allegations or suspicions of fraud or irregularity. To facilitate a speedy and appropriate response to any concerns expressed, initial information provided should, where possible, outline the following:

- The nature of the potential or actual loss to the Council, or Council's client.
- When and how the matter came to light
- Officers and /or other parties alleged to be implicated (names and designations where appropriate). Organisation structure showing the position and responsibility of the person(s) allegedly involved
- Identify those who are aware of the potential fraud/irregularity.

Care needs to be taken to ensure that officers or Members who may be involved in the suspected irregularity do not become aware of the situation. Staff should not carry out their own investigation prior to notifying Internal Audit as this can affect any subsequent investigation.

Internal Audit will advise if the circumstances demand immediate action to safeguard evidence or to avoid further loss to the Authority. This may include removing documentation from the site and /or the suspension of employees.

Internal Audit will also advise on whether, and if so when, the Police should be informed. Initial contact with them should be made by Internal Audit.

As a general rule the Council can carry out its own investigations regardless of any police involvement. (Note: there may be instances where it is not possible to contact Internal Audit promptly e.g. weekends or evenings. At such times, for cases of

identified theft rather than suspected fraud or irregularity, it is more appropriate for the matter to be reported immediately to the local police station and a crime reference obtained. In these instances Internal Audit, line management and the Insurance Manager should be informed of the details the next working day.)

### **Investigation**

Responsibility for carrying out independent investigations lies with Internal Audit who may involve officers from the Royal Borough of Greenwich Fraud Team with whom it works in partnership. In some cases, however, it may be more appropriate for staff in the relevant Department to carry out the investigation with Internal Audit acting in an advisory capacity. In such cases, staff undertaking the investigation will liaise with Internal Audit at intervals agreed at the point of referral, to ensure that evidential requirements continue to be met and that the Local Authority is kept fully informed at all stages. The most appropriate approach will be decided by Internal Audit following the initial contact and may be revised during the investigation.

Any investigation should be carried out promptly and thoroughly. To do this staff may need to be interviewed and documentation reviewed. All stages of the investigation should be thoroughly documented. The investigation should involve, as a minimum, the following:

- A clear understanding of the allegation/suspicion
- A review of all relevant documentation. Note that documents may need to be retained during the investigation
- Identification and interviews with all appropriate staff/individuals to determine such things as relevant procedures and practices
- Consideration of alternative explanations for the situation
- An evaluation of all the evidence
- A conclusion based on the findings

The findings of the investigation could be used during disciplinary or legal action. Consequently care needs to be taken to ensure that evidence is safeguarded and that the investigation is thorough and the conclusions reached are valid. The findings of the investigation should be treated as confidential.

During the investigation it may be necessary for individuals to be interviewed under caution. In such instances the rules laid down in the Police and Criminal Evidence Act and Criminal Justice and Public Order Act 1994 must be adhered to. Advice on this is available from Internal Audit.

There will be instances where documentation is taken away by Internal Audit or the investigating officer for safeguarding during the investigation. The originals should be removed rather than copies. These should be kept secure and a statement prepared stating how, when and who removed the documents and where they will be stored. A decision on the removal of documents needs to be made early on in the investigation to avoid the risk of removal or tampering.

The appropriate Chief Officer and Head of Audit & Assurance should be kept informed of progress during the investigation. This can be done verbally and/or by

preparing written progress reports. At the end of the investigation a report should be prepared for the appropriate Chief Officer and Head of Audit & Assurance. This should include all the issues listed above together with any other relevant information. This should form the basis of a decision for any further action to be taken.

### **Action**

It is for the appropriate Chief Officer to take appropriate action where there is evidence to support instances of fraud or irregularity. The Head of Audit & Assurance should be kept informed of action taken and relevant outcomes. These could include referral to the police, disciplinary action and/or recovery of any amounts involved.

The Chief Officer is also responsible for ensuring that any system weaknesses identified during the investigation are addressed.



## **APPENDIX 2 – RETENTION OF DOCUMENTS**

Chief Officers shall be responsible for ensuring that records are carefully and systematically filed and retained for inspection by the Director of Finance or agencies (e.g. HM Revenue and Customs).

Records should be retained in accordance with the Council's Retention Schedule and Policy which should be read in conjunction with the Council's IT security and Data Protection policies in order to support compliance with current data protection laws and the Freedom of Information Act 2000

These Policies apply to electronic records and to manual records (e.g. paper, microfiche). A record is any recorded material (usually a document) whether or not it is stored in a database or file.

The minimum periods for the retention of financial records are set out in the Council's Record Retention Policy.

### Bromley Corporate Retention Schedule

It is the responsibility of the Information Asset Owner in each service area to ensure that these retention periods are within those set out any service specific legislation such as PAYE, VAT or Construction Industry Schemes. The Information Asset Owners should also be aware of the maximum time to retain records in line with GDPR regulations.

The retention schedule is not exhaustive and where there is uncertainty the advice of the Director of Finance and the Director of Corporate Services must be sought. Periods referred to are in addition to the current year of account, which ends at the conclusion of the annual external audit of the Council's accounts.

Records held locally in establishments e.g. schools shall be retained in accordance with the School's Financial Regulations.

The Director of Finance or his representative shall have access to documents relating to such funds should it be deemed necessary.

### **Local Audit and Accountability Act 2014**

Section 2 of the Local Audit and Accountability Act 2014 provides External Auditors with a right of access to every document relating to a body that appears necessary for the purpose of carrying out the Auditor's function under the Act.

The Council therefore needs to retain documents in order to be able to satisfy External Auditors' rights of access. Any policy on retention of documents therefore needs to be guided by an assessment of the likelihood that an External Auditor may request certain documents. This assessment needs to ensure that the Council

avoids circumstances whereby it could have reasonably foreseen a request for a document, but the document has subsequently been destroyed.

## **Other Legislation**

There is very little specific legislation that covers the periods of retention of documents for Local Authorities. The main consideration is the Limitations Act 1980 and this is discussed below.

In addition, Part VA of the Local Government Act 1972 deals with Access to Information. Section 100(c) refers to public inspection of minutes and other documents after meetings. This specifies that certain documents, which form part of the public part of the agenda, are required to be available for inspection by members of the public for a period of 6 years from the date of the meeting. These documents are:

- Minutes, or copies of minutes of the meeting (except exempt items) and related minutes;
- A copy of the agenda of the meeting; and
- A copy of any reports discussed (except exempt items).

From 1996/97 Local Authorities were required to have their accounts approved by a Committee or the Full Council meeting as a whole. This requirement means that the statement of accounts would have been one of the agenda items and would therefore be one of the records that the Authority would need to retain for 6 years and have available for public inspection.

Central Government guidance recommends Authorities to consider whether longer periods of retention are appropriate and although nothing is prescribed, key financial records may merit permanent preservation. As a minimum, the following is considered to be in this category:

One set of annual financial accounts and statements approved by Full Council or Committee.

### **APPENDIX 3 - CODE OF PRACTICE ON DRAFTING FINANCIAL IMPLICATIONS IN COMMITTEE REPORTS**

1. Employee costs should include National Insurance and Pension contributions, leased car costs and overtime pay where appropriate. Gross salaries should normally be calculated on the midpoints of the appropriate pay scales. The Director of Finance will circulate updated “ready reckoners” of employee costs within four weeks of a pay award being settled.
2. Departments should have regard to staff turnover savings assumed in the revenue budget when determining the additional savings which are likely to arise from the deletion of posts.
3. All reports should identify clearly:
  - a) recurring and non-recurring expenditure and income
  - b) part-year and full year effects.
4. Appendices should be used when it is necessary to present large volumes of financial information in a report.
5. Avoid quoting figures to the nearest penny or pound. The nearest £’000 will suffice in most instances.
6. Where additional costs are identified:
  - a) virement should be actioned in accordance with Financial Regulations. (The report should identify the specific budgets that are to be vired and seek Member approval where necessary).

OR

  - b) there should be a formal recommendation to seek a supplementary estimate from the Executive
7. Reports should cost all proposals even where expenditure can be “met from existing budgets”.
8. All areas of financial uncertainty or risk should be highlighted. In this respect a paragraph on the risks should be clearly stated so that all risks are clear and transparent and that where relevant a full risk assessment has been carried out in line with the Risk management policy.
9. Heads of Finance Officers should clear all draft financial reports before being passed to the Committee services.
10. Every effort should be made to allow the Director of Finance’s Department five full working days to comment on a draft report, although it is acknowledged that there will be some instances when a more urgent response is required.

11. The Head of Corporate Finance and Accounting should clear all draft reports with financial considerations that impact on the Capital Programme before they are passed to the Committee services.

## APPENDIX 4 - TRANSPARENCY CODE

### Introduction

The Department for Communities and Local Government (DCLG) published a revised Local Government Transparency Code on 27 February 2015. The revised Code came into effect on 1 April 2015. The code seeks to ensure that certain data held by local Councils is published in a timely and open way.

Personal data will not be included if publishing it would contravene the GDPR and the Data Protection Act 2018.

### Areas covered

The Code requires the publication of specified categories of data, and recommends the publication of additional data, under the headings below:– (the .gov link should be checked to verify the current headings)

- Individual items of expenditure exceeding £500;
- Data on the land and buildings held by the authority;
- Information on invitations to tender, and every contract or purchase order, with a value of over £5,000;
- Details of every transaction on a Government Procurement Card used by the authority;
- Grants to voluntary, community and social enterprise organisations: dates made and amounts granted;
- The authority's organisation chart, covering the top three levels in the organisation, including salary bands;
- Details of trade union facility time: number of representatives and spending upon them;
- The number of controlled parking spaces within their area;
- Data on the value of the authority's social housing stock;
- Data on senior salaries
- The pay multiple
- The authority's constitution;
- Details of counter-fraud work;
- Details of waste contracts;
- Data on parking revenues.

The current Local Government Transparency Code was issued in February 2015. The Code applies to local authorities in England, including fire and rescue authorities and National Park authorities, and to parish councils with either gross income or expenditure over £200,000; but not to Police and Crime Commissioners. It can be found at:

<https://www.gov.uk/government/publications/local-government-transparency-code-2015>

## APPENDIX 5 - LATE PAYMENT OF DEBTS

### Background

1. The Late Payment of Commercial Debts (Interest) Act 1998 and the Late Payment of Commercial Debts Regulations 2013 provides a statutory right to claim interest on the late payment of commercial debts. Previously, businesses were only able to claim interest on late paid debts if it was included in the contract or if they pursued the debt through the courts and the courts decided to award interest.

### Contracts

2. The legislation gives precedence to contractually agreed provisions. However, the Act contains provisions to prevent parties to a contract “contracting out” of the legislation by setting very low rates of interest on late payments, or by extending credit terms excessively or by any other terms which result in no substantial remedy for late payment. The provisions apply the test of “reasonableness” to such terms.

### Definition of key terms

3. *Late payment*: a payment is “late” when it is received after:
  - the expiry of the contractually agreed credit period (whether agreed orally or in writing); **or**
  - the credit period in accordance with trade custom and practice or in the course of dealing between the parties; **or**
  - the default credit period defined in the legislation (30 calendar days).
4. *Commercial debt*: the Act applies to a debt under a contract for the supply of goods or services where the purchaser and the supplier are each acting in the course of a business.

### Size of Debt / Statute of Limitations

5. No minimum level has been set below which a claim for interest cannot be made but claims for interest must be made within six years.

### Credit periods

6. Where no credit period is defined in a contract, or no contract exists, the Act sets a default credit period of 30 (calendar) days from delivery of an undisputed invoice for payment, or delivery of the goods and / or service, whichever is the later.
7. This is also the measure used by the Local Authority for payment of undisputed invoices. Time starts from the date the Local Authority (not the payment section) receives the invoice to the date of:



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# **Financial Regulations for Schools**

## **2020**

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# **1 INTRODUCTION**

## **1.1 Background**

- 1.1.1 Every Local Authority (LA) needs a financial framework which provides the necessary control on financial matters whilst at the same time encouraging “best value” and promoting local accountability for schools.
- 1.1.2 These Regulations outline the approved system of financial control to secure the proper administration of the school s’ financial affairs, as required by Section 151 of the Local Government Act 1972. The Director of Finance shall be responsible for ensuring the school s’ continuing compliance.

## **1.2 Financial Regulations and the Management Style**

- 1.2.1 It may seem that the Director of Finance’ legal responsibilities clash with the Council’s management style, with its emphasis on devolving responsibility and decision taking. They need not.
- 1.2.2 Accordingly, Financial Regulations are not intended to keep an oppressive grip, but to provide a clear and helpful framework within which employees at schools can act in confidence, without fear that the financial appropriateness of their actions might be open to question. In this sense the Regulations are intended to enable, not to restrict.
- 1.2.3 Sound financial management and controls are essential to schools because they provide an effective framework for financial planning and accountability and safeguard the use of public funds.
- 1.2.4 It is good practice to align financial and management responsibilities whenever possible, otherwise financial decisions may be made regardless of the effect on services and services may be managed without regard to finance. Financial Regulations are intended to facilitate this by advising schools of how to approach budget setting, virement, ordering, certification of payments etc. The basic framework can readily be supplemented by advice from the contacts shown. Advice rather than instruction is the preferred style throughout the Regulations. At times the delegation to schools and ‘recognition of the risks’ may lead such advice to be questioned. This is accepted, but there are also times when, in view of the Director of Finance’s statutory responsibilities, his advice must be followed.
- 1.2.5 These Regulations should be seen, then, as part of the Director of Finance’s service to schools. Their main aim is to facilitate good financial administration. If they do not, the Director of Finance is only too keen to know why so that changes can be considered. Comments from users should be addressed to Internal Audit.

### **1.3 Supporting Legislation and Documents**

1.3.1 Financial Regulations are one of a set of management documents which collectively control and co-ordinate the affairs of the LA. Whilst intended to be self-contained, they should therefore be read in the wider context of:

- Consistent Financial Reporting framework
- Bromley Scheme for Financing Schools ‘
- Bromley’s Corporate Financial Regulations
- School Standards and Framework Act 1998
- Schedule 14 to the Act
- Statutory Instruments including the School and Early Years Finance (England) Regulations
- Schemes for financing Local Authority maintained schools – statutory guidance
- Schools Financial Value Standard
- Accounts and Audit Regulations 2015

### **1.4 School Financial Value Standard (SFVS)**

1.4.1 Local Authority maintained schools must submit the SFVS annually to their Local Authority. Local Authorities use this information to inform their programme of financial assessment and audit.

1.4.2 The standard consists of a checklist and a dashboard.

1.4.3 The checklist asks questions of governing bodies in 6 areas of resource management. It provides clarification for each question, examples of good practice and details of further support available to assist schools in addressing specific issues.

1.4.4 The dashboard shows how a school’s data compares to thresholds on a range of statistics identified by the Department for Education (DfE) as indicators of good resource management and outcomes. It provides explanations of each of the indicators and helps schools to fill in their data and understand the results.

### **1.5 Aims of the Regulations**

These Financial Regulations provide a framework through which the Director of Finance can satisfy himself that proper financial administration is being achieved.

1.5.1 These Regulations aim to:

- Help ensure that high standards of propriety and best value are achieved
- Provide schools with an effective framework of financial control, management, monitoring and reporting.
- Provide a framework within which all school staff and governing body members can carry out their responsibilities in an open and consistent manner.

1.5.2 These Regulations aim to promote and maintain high standards by:

- Placing clear authority and accountability with staff and governing body members



- Establishing key principles and processes which should be followed
  - Enabling continuous internal audit to ensure compliance with the approved standards and procedures.
- 1.5.3 All governors and staff have a duty to promote these aims, not just by following Financial Regulations but in their general approach. Concern with propriety and best value is as much an attitude of mind as a matter of following regulations.

## **1.6 Breaches of the Regulations**

- 1.6.1 Substantial breaches of Financial Regulations shall be reported to the governing body and Director of Finance by the relevant Head Teacher and may be treated by the governing body as disciplinary offences. Where the Director of Finance considers it appropriate he will report any substantial breach of these Regulations to the next meeting of the Audit Sub-Committee.

## **1.7 Compliance**

- 1.7.1 The Regulations shall not override any statutory provisions that apply. In addition, with the agreement of the Director of Finance (or his delegated representative), the full governing body may waive compliance with any of these Regulations in a particular case or in any particular class of case. Separate provisions exist for alternative courses of action (e.g. for tendering) within specific regulations.
- 1.7.2 Consultants or agencies acting for the school will be bound by these Regulations and it should be a condition of their employment or engagement that they do so. The provisions of these Regulations shall also apply to services carried out under agency arrangements for any other authority or organisation, except where otherwise required by that Authority.

## **1.8 Review of Regulations**

- 1.8.1 These Regulations shall be reviewed at least every three years by the Director of Finance. The Audit Sub-Committee should approve all amendments. Relevant financial thresholds (e.g. write-offs, petty cash payments) should be additionally reviewed against inflation on a periodic basis wherever possible.
- 1.8.2 As suggested good practice, it is recommended that these Regulations be applied to transactions relating to any non- public funds handled by staff in the course of their duties.

## **1.9 Updates**

- 1.9.1 The Regulations will be updated with implications of new legislation, new ways of working or changes to thresholds as required. These updates will be communicated to the schools.

## **2 ROLES AND RESPONSIBILITIES**

### **2.1 The Role of the Director of Finance**

- 2.1.1 The essence of the Director of Finance' statutory role as responsible financial officer is laid down by the Local Government Act 1972: "Every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".
- 2.1.2 The Accounts and Audit (Amendment) Regulations 2015 supplement this general role. These require that the Director of Finance should determine the accounting system, form of accounts and supporting accounting records, and ensure that the accounting systems determined by him are observed and that the accounts and supporting records of the Authority are maintained in accordance with proper practices and kept up to date. The 2015 Regulations also require the Council to maintain an adequate and effective internal audit which, at Bromley, has been delegated to the Director of Finance.
- 2.1.3 Therefore, The Director of Finance has specific legal duties at all schools to ensure adequate standards of financial administration throughout the Council.
- 2.1.4 The Director of Finance has to express an annual opinion on the system of internal financial control for the Local Authority taking into consideration a number of factors including maintaining an adequate and effective internal audit of its accounting records and systems of internal control. In reaching his overall opinion the Director has to rely on work performed by internal audit, external audit and any other management review. Internal Audit reviews play a critical role in ensuring that the internal control environment is in place within each school.

### **2.2 The Roles of the Governing Body**

- 2.2.1 Each governing body is responsible for ensuring that these Regulations are strictly adhered to, throughout the establishment under their control. Except where otherwise stated, all references in these Regulations to "Head Teacher" should be read as meaning staff that are carrying out duties on behalf of the Head Teacher. Such delegation by Head Teachers should be formally approved and documented in procedure manuals etc.
- 2.2.2 The governing body should issue clear directions to the Head Teacher and Bursar or Finance Officer and any additional staff on their respective responsibilities for financial affairs. This is essential for sound financial control and they should take the form of written directions. Failure to formally allocate responsibilities can create a vacuum in important financial areas.
- 2.2.3 To establish proper financial management arrangements and accounting procedures and maintain a sound system of internal controls, including safeguards against fraud and corruption.
- 2.2.4 It is the responsibility of the governing body, in conjunction with Head Teachers, to set out an agreed scheme of delegation. (For a suggested template see [Appendix 1](#))

## **2.3 The Role of the Head Teacher**

2.3.1 The Head Teacher has responsibility for:

- The management of the school's financial position at a strategic and operational level.
- The management of effective systems of internal control.
- The management of other financial issues.

2.3.2 Each Head Teacher should ensure that all staff in their establishment are made aware of and fully understand the requirements and implications of Financial Regulations as far as they relate to their professional duties and responsibilities. However, this does not remove the requirement for all staff to make themselves conversant with these Regulations and comply with their requirements.

2.3.3 The Head Teacher has overall responsibility for the school's activities, of which financial activities are clearly a part. The Head Teacher is therefore considered by the LA to be the person with overall responsibility to the governing body for the financial management of the school.

2.3.4 The Head Teacher should ensure that the governing body is provided with financial advice, that proper and adequate financial systems and controls are in place and that accounts are prepared and maintained as required by the governing body or the LA. In practice, the Head Teacher will often delegate much of the financial management to a Bursar/Finance Manager, while retaining ultimate responsibility for this.

2.3.5 Each Head Teacher shall prepare such financial instructions as are considered necessary for the proper financial management, operation and control of the services for which they are responsible, in accordance with these Schools Financial Regulations.

2.3.6 Such financial instructions shall, in accordance with the Accounts & Audit (Amendment) Regulations 2015 contain measures to:

- Ensure that the financial transactions of the school are recorded as soon as reasonably practical and as accurately as reasonably possible;
- Enable the prevention and detection of inaccuracies and fraud; and
- Facilitate the ability to reconstitute any lost records.

## **2.4 The Role of the Bursar/Finance Manager**

2.4.1 The Bursar or Finance Manager is the member of the school's staff with day to day financial responsibility for the school. This person may have delegated financial responsibility for the premises, central services and other costs budget and as such should form part of the management structure within the school.

2.4.2 It is essential that the governors ensure that the Bursar or Finance Manager is suitably qualified and has sufficient resources to carry out the function and should not be subject to time constraints which may affect their ability to discharge their financial responsibilities effectively.

### **3 CORPORATE GOVERNANCE**

Contacts: **Internal Audit /Schools Finance Team**

#### **3.1 Roles and Responsibilities**

**3.1.1** The roles and responsibilities of the governing body, its committees, the Head Teacher and other staff in relation to financial decision-making and administration should be set out and agreed in writing and should comply with these Financial Regulations.

#### **3.2 Finance Committee**

**3.2.1** A finance committee should be set up to consider strategic financial issues on behalf of the governing body and its remit and membership should be reviewed annually.

#### **3.3 Limits of Delegated Authority**

**3.3.1** The governing body should establish the financial limits of delegated authority, in compliance with these Financial Regulations.

#### **3.4 Financial Information for Governors**

**3.4.1** The governing body should agree with the Head Teacher the minimum frequency, level of detail and general format of the financial information to be provided to it, especially in relation to budget monitoring reports.

#### **3.5 Minutes**

**3.5.1** Minutes should be taken of all meetings of the governing body and its committees and include all decisions and by whom action is to be taken. The agreed minutes should be signed and dated.

**3.5.2** All signed minutes should be retained for 6 years.

#### **3.6 Gifts and Hospitality**

**3.6.1** All offers, gifts, hospitality as inducements for favour should be refused. All refused items should be recorded by a member of staff or governor and reported at the next meeting of the Governing Body where it should be minuted.

**3.6.2** Each School Governing Body shall maintain a register of all gifts and hospitality received by individual members of staff and Governors in their School. Any hospitality or gifts accepted must be recorded in the relevant register. Governors should set a reasonable minimum value that would be excluded from registering when received from pupils and parents.

### **3.7 Raising Concerns in Schools**

- 3.7.1 The Corporate Raising Concerns (Whistleblowing) Policy should be referred to for all raising concerns within a school. Copies of this document have been issued to all Bromley maintained schools and will be available on request from the Local Authority.
- 3.7.2 The principles and procedures set out in the Corporate Raising Concerns (Whistleblowing) Policy should be followed but the roles and responsibility will need to be adapted for schools. For Officer responsibilities detailed in the Policy the school should identify their own hierarchy of responsibility and any reference to Members would be substituted by Governors.
- 3.7.3 The Director of Education and the Liberata Schools Team will be the first points of contact for any guidance required and the Council's Human Resources Division would also be able to offer advice.

### **3.8 Register of Business Interests**

- 3.8.1 Schools are required to maintain a register for all governors and those staff with financial responsibilities which should detail any business interest they may have which could be relevant to goods and services supplied to the school. This register should be reviewed on an annual basis.
- 3.8.2 Where it has not been possible to gain register entries from individuals, the school should retain documentation to demonstrate what efforts have been made to ensure compliance.
- 3.8.3 When staff become aware of such interests, they shall notify the clerk of governors or bursar in writing who will enter it into the register.
- 3.8.4 Please see [Appendix 2](#) for a template register of business interests.
- 3.8.5 If it comes to the knowledge of any member of staff employed by the school *that* they have a business interest, whether direct or indirect, in a current contract or a contract due to be entered into by the school, they shall as soon as practicable give written notice of the interest to their Head Teacher, who should notify the Chair of the Governing Body.
- 3.8.6 In the case that the interest relates to a Head Teacher or member of the governing body, written notice should be given as soon as practicable to the Chair of the Governing Body. They shall maintain a record of all such notifications of staff and governors interests in contracts

## 4 BUDGETS

Contacts: **Schools' Finance Team**

### 4.1 Preparation of Budgets

#### **School Budget Share**

- 4.1.1 Each school is required to submit a budget plan to the Local Authority in accordance with the Scheme for Financing Schools. This should show the school's intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. Further revised budget monitoring reports may have to be provided at quarterly intervals to the LA as stipulated in the Scheme for Financing Schools.
- 4.1.2 There should be a clear, identifiable link between the school's annual budget and its school development plan.
- 4.1.3 The school's budget should be based on realistic estimates of all expected expenditure and income, including grant income, so that planned expenditure does not exceed the available budget.
- 4.1.4 The governing body should ensure that the main elements of the school's budget are periodically reviewed to ensure that historic spending patterns are not perpetuated.
- 4.1.5 The Head Teacher should profile the budget and forecast cash flow to take account of likely spending patterns.
- 4.1.6 Any budget surpluses should be earmarked for specific future needs to ensure that pupils benefit from a planned approach to spending that does not deprive them of resources in a given year.
- 4.1.7 The governing body should endeavour to approve the school's budget and School Development Plan after careful consideration and before the beginning of the relevant financial year.

#### **Capital**

- 4.1.8 It is determined in the Scheme for Financing Schools the responsibilities for school premises repairs and maintenance. The scheme determines which categories of work are the responsibility of governing bodies to finance from their delegated budget shares and which repairs and maintenance expenditure is deemed to be capital and is to be retained by the LA (where applicable).

## 4.2 Allocation of Budgets to Budget Managers

4.2.1 Dependent on the size of the school and the complexity of the budgetary control system required, there will be a need to create cost centres in order to allocate budgets to Budget Managers. The responsibilities of each Budget Manager should be clearly defined. The Budget Manager will then become responsible for controlling expenditure within the relevant budget heading. The following budgets will be required in all schools:

- Staff costs
- Educational supplies
- Premises, central costs and other costs.

Schools may consider additional budget headings. However it is important that the budget responsibility aligns with the management structure.

4.2.2 The budget managers may divide their budgets between a number of budget holders who will then be responsible for all expenditure incurred against their budget. The budget holders would then be answerable to the budget manager who would monitor expenditure incurred by each budget holder. Dependent on the size of the school, the educational supplies budget may be divided between either subject area, key stage or year co-ordinator.

## 4.3 Monitoring

4.3.1 The Head Teacher is responsible for producing monthly budget monitoring reports for income and expenditure, including sums committed but not yet paid and outturn forecasts, against the approved budget. Income and expenditure should be monitored in accordance with the “Scheme of Financial Delegation” (For a template scheme of delegation see [Appendix 1](#)).

4.3.2 The Head Teacher is responsible for providing budget monitoring reports to the school finance committee at least once a term. These should show any significant variances against the budget with explanatory notes and, where necessary, remedial action plans including virements. The LA will permit schools to plan for a deficit budget only with the prior permission of the Director of Education. The details as stipulated in the Scheme for Financing Schools must be complied with.

4.3.3 The Head Teacher should monitor expenditure on the initiatives set out in the School Development Plan. Even if there is insufficient budgetary provision a School Governing Body may incur expenditure for exceptional items required under the school’s statutory obligation or to carry out any repair, replacement or other work which is of such extreme urgency that it must be done immediately. When such an occasion arises, the Head Teacher shall advise the LA promptly.

4.3.4 Head Teachers (or delegated officers such as Bursars) are responsible for producing monthly cash flow forecasts to ensure that the school bank accounts do not go overdrawn.



## **4.4 Reporting**

4.4.1 An annual financial return should be submitted by the Head Teacher to the Director of Education as soon as practical after the end of each financial year but within a timescale determined by the Local Education Authority as stipulated in the framework of the scheme for Consistent Financial Reporting (CFR).

## **4.5 Approved Banks and Building Societies**

4.5.1 The banks and building societies which may be used for the purpose of receiving budget share payments are specified below:

- Royal Bank of Scotland Group (includes Nat West).
- HSBC.
- Barclays.
- Lloyds TSB Group (includes Bank of Scotland).
- Santander (includes Abbey National and Alliance & Leicester).
- Nationwide.

## 5 ORDERS FOR GOODS, WORKS & SERVICES

Contact: **Schools' Finance Team/Internal Audit**

### 5.1 Responsibilities

- 5.1.1 The governing body should determine which staff in their school *should* be allowed to be Initiating Officers and raise and sign orders on their behalf. (For more information on the separation of duties see FR 7.3). Head Teachers are normally responsible for the control of all orders held and issued by their school.
- 5.1.2 It shall be the responsibility of a member of staff issuing an order to ensure, as far as is responsible and practicable, that value for money is obtained in respect of each transaction.
- 5.1.3 All goods, works and services ordered shall be for the exclusive use of the school.
- 5.1.4 All leasing arrangements must have the governing body's prior approval.
- 5.1.5 The school will retain ownership of any goods or equipment purchased and has the ultimate responsibility for ensuring that contracts are fulfilled and invoices paid.

### 5.2 Raising an Official Order

- 5.2.1 An official order, or its equivalent, must be raised for all goods, works and services except:
- (i) where a specific formal contract exists which does not incorporate any facility for the regular draw-down of services;
  - (ii) rents, business rates, council tax and utility services as supplies of a continuous and obligatory nature;
  - (iii) petty cash payments.
  - (iv) inspection copy for books delivered to school
- 5.2.2 In urgent cases only, an oral order may be made. In such cases the serial number of the written order which must be issued as confirmation should be quoted to the supplier, together with details of the ordering establishment. The confirmation order should be despatched the same day where possible and certainly no later than within two working days and should be clearly marked "confirmation only".
- 5.2.3 Where a school utilises Order Requisitions as well as Orders, then this may be regarded as the initiating document. All controls and requirements hereby placed on Orders should be taken to also apply to Order Requisitions.

### **5.3 Requirements of an Official Order**

5.3.1 Official orders, or their equivalent, shall as a minimum:

- (i) be clearly identifiable as an order from the School, including invoice address, staff contact etc.;
- (ii) be serially numbered;
- (iii) be physically or electronically signed by an authorised signatory;  
N.B. The method by which an official order is issued is at the discretion of the initiating officer. This may be via post or (with the Governing Body's initial approval) by internet e-mail or via the supplier's web site. A copy of all authorised orders should be retained.
- (iv) include sufficient information, and any appropriate terms and conditions, on the goods, works or services being ordered (including prices and quantities) to enable adequate pre-payment checks to be undertaken in accordance with Section 7 of these Financial Regulations.

### **5.4 Orders and Authority**

5.4.1 Before an order is raised for the purchase of goods or services, you need to ensure that there are sufficient funds available, not already committed for the purchase of other items, to meet the estimated cost of the order.

5.4.2 However, there are specific circumstances (e.g. urgent repair or maintenance) where these conditions may not be met – For further guidance on such circumstances, please see FR 4.3.3.

### **5.5 Value for Money**

5.5.1 The Governing Body and Head Teacher are responsible for obtaining value for money when purchasing goods works and services.

5.5.2 Before placing an order the Initiating Officer shall estimate the probable cost of the goods, works or services required. This estimate cost will determine the normal procedures to be followed in obtaining quotations or tenders. These procedures are outlined in the Council's Contract Procedure Rules which have been issued to all schools.

5.5.3 In order to ensure best value, at least three competitive quotes must be obtained in writing or via authorised e-mail where costs exceed £5,000. Where this is not practical to do so, the reasons must be submitted to the Finance Committee and/or governing body, in writing.

5.5.4 Schools are required to inform the Finance Committee of any expenditure incurred over £5,000 where quotations were not sought.

5.5.5 In determining the estimated cost of goods, works or services the following shall apply:

- (i) staff shall not sub-divide work which could reasonably be treated as a single contract;
- (ii) the total estimated value of orders for a year for a given type of goods, works or services should, wherever practicable, be amalgamated when determining purchasing procedures.
- (iii) if a contract / arrangement is for a period greater than one year then the estimated value of orders to be placed over the full period should be used to determine the appropriate procedure;
- (iv) where contracts run year to year with the school or Contractor having the option to terminate on notice the value of the contract shall be calculated over the period prior to the date when the break clause may first be exercised;
- (v) where leasing arrangements are used, the total amount payable over the life of the lease shall determine the appropriate procedure;
- (vi) where contracts entail both revenue and capital costs (e.g. acquisition and support for IT systems) the revenue costs shall be estimated according to paragraph (iii) above;
- (vii) if the lowest quote obtained exceeds the upper limit applicable to the procedure selected, the Head Teacher should consider whether the procedures for the higher category should be applied. If this is not considered appropriate, the reasons for not applying higher category procedures should be recorded.

## **5.6 Insufficient Quotations**

5.6.1 For orders valued at between £5,000 - £100,000, if at least two quotations are received the relevant Head Teacher shall have authority to accept a quote which they consider represents best value to the school and is within 10% of the approved budget subject to agreement of the school governing body.

5.6.2 Where the selected quote exceeds the approved budget by more than 10% the Head Teacher shall determine whether to seek further quotes or seek approval of a supplementary budget from the relevant governing body sub-committee.

## **5.7 Exceptions to Quotations for Goods, Works and Services**

In the following circumstances, competitive quotations are not required:

5.7.1 If the Head Teacher and Chair of the Governing Body consider that there are special circumstances which justify the need to waive the requirement for competitive quotes, they may, upon documenting the reasons and with the specific approval of the Chair of the Governing Body, award the contract by way of negotiating or re-

negotiating.

- 5.7.2 Where the goods, work or services required by the school *are* of such an urgent or specialised nature that in the opinion of the Head Teacher it is not reasonably practicable to obtain such quotations.
- 5.7.3 Where a contract has been entered into with another local or public authority for the supply of goods, services or works e.g. consortium, it shall not be necessary to seek competitive quotations provided the said local or public authority can satisfy the Head Teacher that they have done so in initially selecting their supplier / provider.

## 6 CONTRACTS

Contacts: **Head of Procurement**

- 6.1.1 The Corporate Contract Procedure Rules should be referred to for all matters relating to Contracts. Copies of this document have been issued to all Bromley maintained schools and will be available on request from [procurement@bromley.gov.uk](mailto:procurement@bromley.gov.uk).
- 6.1.2 The principles and procedures set out in the Corporate Contract Procedures Rules must be followed but the roles, responsibility and authorisation will need to be adapted for schools. References to the Legal, Procurement and Finance Teams should be substituted by the school with the resources available in the school and to fit in with the established decision-making and governance processes. School Governors will deliver the governance and scrutiny role undertaken by Members for Corporate contracts. The school's Finance Committee and the Full Governing Body replace any references to the Authority's Committees. For Officer responsibilities detailed in the Contract Procedure Rules, the school should identify their own hierarchy of responsibility, but the Head Teacher has overall responsibility for the financial management and is therefore seen as the budget holder.
- 6.1.3 The Council's Procurement Team will be the point of contact to offer advice and guidance but the responsibility for all procurement will be with the school.

## 7 PAYMENT OF ACCOUNTS

Contacts: **Internal Audit / Schools' Finance Team**

### 7.1 Payment Arrangements

- 7.1.1 The governing body is responsible for making safe and efficient arrangements for all payment of accounts. All payments on behalf of the school *shall* therefore be made by the governing body or under arrangements approved by them.
- 7.1.2 Payments should normally only be made against official invoices received from suppliers, and not against statements, delivery notes etc.
- 7.1.3 Payment against copy invoices (i.e. duplicates / photocopies) should only be made where detailed checking has confirmed that no payment has been made against an original and the member of staff should endorse the copy invoice to that effect. E-mailed invoices are acceptable. E-mailed invoices must contain the full company name and details, as with standard invoices.
- 7.1.4 The Governing Body shall be responsible for deciding the most appropriate method of payment for categories of invoice. Payments may be made via cheques or electronic transfer (e.g. BACS) where appropriate controls are in place. Cheques should be despatched independently of ordering or payments staff.
- 7.1.5 Payments in advance should only be made where there is no practical alternative, and the reasons should be recorded. Any invoice subsequently obtained should be filed with the original payment documentation, and endorsed appropriately to prevent duplicate payments.

### 7.2 Authorised Signatories

- 7.2.1 Each Governing Body shall determine persons in their School *authorised* to sign for all main financial transactions on their behalf. These should as a minimum include:
- i orders for goods, works or services;
  - ii payment of accounts;
  - iii travel, subsistence and special assistance claims;
  - iv payroll documents (e.g. overtime claims, timesheets)
  - v recommendations for write-off
- 7.2.2 The governing body shall maintain up to date lists of all authorised persons together with copies of their specimen signatures, initials and any financial limits that apply. Additionally, copies of these lists and specimen signatures shall be provided to the Director of Finance and Director of Education where prime documents are processed under procedures within his control (i.e. in the event of financial delegation being withdrawn).

## 7.3 Separation of Duties

7.3.1 Each Governing Body is responsible for ensuring, so far as is reasonably practicable, that there is adequate internal separation of duties in their department in relation to significant financial transactions. For example:

- staff responsible for calculating, checking and recording monies due to or due to be paid by the school shall not receive or make such payments;
- staff examining and checking the accounts of cash transactions shall not carry out (i.e. process) such transactions;
- staff who sign orders, confirm receipt of goods or services, and certify payments shall not perform more than one function for the same transaction.

7.3.2 Head Teachers should ensure that all invoices input onto the school financial database for payment have been properly authorised and certified, with evidence in the form of signatures of at least three designated officers having been involved in the whole process (ordering / receipt of goods or services / payment). The Director of Finance must specifically approve exceptions to this requirement e.g. where less than three officers are involved in the process.

7.3.3 Head Teachers may delegate the authority to authorise and certify invoices to members of staff within their establishment. Head Teachers must maintain up to date lists of members of staff in their establishment together with specimen signatures and any financial limits that apply.

7.3.4 All payments of invoices or accounts for payment shall be approved by at least two members of staff (prior to input onto the schools financial database), neither of whom has signed the original order.

7.3.5 Each Head Teacher shall arrange a suitable division of staff duties within their school so that the member of staff who certifies an individual invoice for payment shall not be the person who either approved the order, or has confirmed the receipt of goods or completion of the work concerned.

7.3.6 Employees are not permitted to certify payments to themselves or to another employee who is related.

7.3.7 The following role definitions will normally apply (notwithstanding that different terms may be in common day to day use within schools s):

- (a) Initiating Officer role: a member of staff authorised by their governing body to sign official orders (or order requisitions where utilised) on behalf of the school. They would normally identify the potential supplier, ensure budget provision is available and best value is obtained, by using or their own knowledge and experience, in accordance with Section 5 of these Financial Regulations.

Schools may of course prefer that one member of staff completes an order requisition form for approval by a manager but this is not a requirement of



School's Financial Regulations. In such cases, it may be that the manager takes responsibility for checking budget provision and demonstrating best value. However, the manager who signs the order is deemed the Initiating Officer and he/she therefore cannot authorise or certify the invoice.

- (b) Authorising Officer role: a member of staff other than (a) or (c), who passes an invoice for certification, having confirmed receipt of goods or services and checked arithmetical accuracy, quantities, prices etc. to the original order. This member of staff may in practice be the person who requested the goods / services as they will often be best placed to confirm the order has been delivered accurately.
- (c) Certifying Officer role: a member of staff other than (a) or (b), designated by the School Governing Body to certify individual invoices for payment. In certifying an invoice for payment the Certifying Officer is indicating that all relevant Financial Regulations have been complied with and evidenced in paying the invoice, prior to input and certification onto school financial system.
- (d) Cheque Signatory role: the school Governing Body should determine a minimum of four cheque signatories of which two should sign each cheque for the school bank account. The cheque signatories may include any of the persons (a) – (c) above.

## **7.4 Checking Required**

- 7.4.1 The overriding principle to be adhered to is that authorisation and certification checks should be meaningful. To this end, they should be carried out and evidenced by those members of staff who are in a position to judge, for instance, whether goods / services have actually been received or whether invoice prices are correct. The evidence should also be unambiguous e.g. an isolated signature on an invoice does not make it clear what has been checked or what is being authorised or certified and is therefore not acceptable.
- 7.4.2 Certifying Officers are responsible for ensuring that adequate checks are performed and evidenced prior to the payment of an invoice to satisfy themselves that the payment is accurate and due to be paid. The following checks are regarded by the Director of Finance to be good practice.
- 7.4.3 For all invoices:
  - (a) where appropriate, a match is made with the official order, agreement, or other document authorising the expenditure;
  - (b) payment details are recorded on the official order or other suitable record;
  - (c) prices are in accordance with quotations or are otherwise reasonable;
  - (d) that the invoice arithmetic is correct

- (e) goods have been received, examined and approved with regard to quantity and quality and / or that work done or services rendered have been satisfactorily carried out or provided
- (f) where VAT is charged that the invoice carries the VAT registration number of the supplier;
- (g) the invoice has not been previously passed for payment;
- (h) the invoice is a proper liability of the school, has been duly authorised and is, to the best of the member of staff's belief, legal expenditure.

## **7.5 Credit Cards**

7.5.1 It is identified that there are circumstances within schools when payment by credit card may be considered more suitable. In circumstances when this payment method is deemed necessary, the following controls should be strictly implemented:

- (a) The governing body should approve a list of authorised users, restrictions on the use of the card's spending limits and written instructions on the scope and use of the cards.
- (b) A member of staff, who is not a card signatory, should be appointed to control the use of the cards and a signing-out procedure implemented for the issue of cards to authorised staff.
- (c) Documentary proof of any goods purchased with the charge or credit card including details of the nature and cost of those goods should be returned to the person responsible for recording charge card transactions as soon after purchase as is reasonably practical.
- (d) Transactions should be reconciled to statements by someone other than the card signatory.
- (e) The school should ensure adequate arrangements are in place to protect them against fraud and corruption by misuse of the card either with the credit card company or through their insurance policy.
- (f) The Local Authority to be notified as soon as possible of any amendments to existing arrangements or any new credit card accounts that are established including details of credit limits and authorised users.

## **7.6 Purchasing on the internet with approved cards.**

7.6.1 The Royal Bank of Scotland are the approved providers of a purchase card. Cards should be allocated to authorised users who sign up to conditions of use.

7.6.2 Controls should include those for use of a credit card as detailed in 7.5.1 (a) to (f) of these Regulations. Conditions of use should include safe storage of the card and adhering to limits that are set, cash withdrawal should not be permitted.

7.6.3 The following step-by-step guide to using a card over the Internet has been devised as good practice.

1. Use secure websites (indicated by a padlock icon, the web address includes "https" rather than "http"). You normally get a message saying that you are being transferred to a secure connection. You can check encryption is being employed by going to **File** and then choosing **Properties**.
2. As long as you use the card wisely, the School is protected from fraud.
3. Employ adequate password security.
4. Use "trusted suppliers" - it should not be difficult to draw up a suppliers list.
5. Ensure supplier has an encryption certificate.
6. Where e-mails are used for notification, the best system has truncated details (do not use suppliers who use the full card number).
7. Print a copy of online transactions. This should include items purchased, total amount, trader name, contact information, unique order number. Note also the telephone number and address.
8. Query anything you are unsure of by telephoning the Company.
9. If you are unsure of whether to pursue, use an alternative form of transaction.

## **7.7 Late Payment of Debts**

7.7.1 Guidance on Late Payment of Debts legislation is set out in [Appendix 3](#)

## **8 PETTY CASH AND IMPREST ACCOUNTING**

Contact: **Schools Finance Team/Internal Audit**

### **8.1 Agreed Level of Petty Cash**

8.1.1 The governing body may, at their discretion and at the request of Head Teachers, make available petty cash floats to facilitate the cost-effective payment of minor items of expenditure on behalf of the school. The governing body should set out in writing an appropriate level for the amount of petty cash to be held. This amount should represent a balance between convenience and the risk of holding cash on the premises.

### **8.2 Control and Operation of Petty Cash**

8.2.1 Any member of staff to whom petty cash has been made available shall be responsible for the control and operation of the petty cash float. In particular, each such member of staff shall:

- (i) ensure that vouchers are obtained and retained to substantiate payments made;
- (ii) ensure that receipts, where possible, relating to expenditure from a petty cash float are attached to the relevant voucher;
- (iii) ensure the safe custody of petty cash monies in their possession;
- (iv) restrict the amount of any individual payment to an agreed amount above which prior approval should be obtained from the Head Teacher. Petty cash holders must not sub-divide payments to a single recipient;
- (v) ensure that the account is reconciled regularly, that regular reimbursement is sought and that the adequacy of the petty cash amount/continuing need for the petty cash is regularly reviewed;
- (vi) where applicable, sign a statement at the end of each financial year confirming the amount of the imprest held. This should also be counter-signed by a senior member of staff.

8.2.2 If it becomes apparent that the current level of petty cash is insufficient, the items on which the petty cash is expended should be reviewed. If it is clear that there is no reasonable alternative to expenditure through the petty cash float, a formal approval to have it increased should be granted by the governing body.

8.2.3 No member of staff shall authorise their own claims from a petty cash float.

8.2.4 Expenditure which should form part of the payroll system, e.g. car allowances, shall not be processed through petty cash accounts.

### **8.3 Security of Petty Cash**

8.3.1 All schools' holding petty cash should ensure that, at all times, cash is adequately secured. As a minimum this should be in a cash box within a lockable drawer.

### **8.4 Imprest Accounting**

8.4.1 The encashment of personal cheques and the advancing of loans from an imprest account is strictly forbidden.

8.4.2 The general principle of imprest accounting is that at any time the cash and bank balance, together with the aggregate value of any receipts on hand, non-reimbursed claims and cheques not credited should total the approved imprest account balance. At no stage should the cash balance be allowed to fall below zero.

## **9 VAT**

Contact: **Principal Accountant – Chief Executives Department**

### **9.1 General**

- 9.1.1 Head Teachers must ensure that VAT is identified and correctly accounted for in respect of all income and expenditure (including imprests or petty cash) in accordance with current VAT regulations. Failure to do so can lead to loss of income and/or imposition of penalties by Revenue and Customs
- 9.1.2 All limits shown in these Regulations exclude VAT.
- 9.1.3 Members of staff responsible for instigating income collection for the school shall satisfy themselves that the school has complied with the relevant VAT legislation with regard to the supply of its services.

### **9.2 Payment of VAT**

- 9.2.1 VAT should not be paid unless the supplier's VAT registration number is shown on the invoice. Members of staff responsible for authorising payments (as defined in Section 7 of these Regulations) shall satisfy themselves that all suppliers' invoices for goods, works or services have complied with relevant VAT legislation.
- 9.2.2 VAT should only be accounted for on imprest or petty cash payments where the supplier's VAT registration number is shown on the receipt.

### **9.3 VAT Returns**

- 9.3.1 All schools should complete and return their monthly VAT returns to the Chief Executives Department by 15<sup>th</sup> of each month following the month in question (e.g. April's return due 15<sup>th</sup> May). In the event of any problem which may cause delay, schools should notify Schools Finance Team or the Chief Executives Department as soon as possible.
- 9.3.2 For Secondary Schools, the VAT return should include a brief summary of VAT on all returns exceeding £10,000  
For Primary schools, the VAT return should include a brief summary of VAT on all returns exceeding £5,000  
Schools should attach copies of any invoices, which include VAT of more than £1,000 to their VAT returns.

### **9.4 Further Information**

- 9.4.1 Further guidance and advice on VAT matters is contained at [Appendix 4](#) and is also available from the Chief Executives Department Accountancy Section.

## **10 SALARIES, WAGES & PENSIONS**

Contact: **Internal Audit**

### **10.1 Payments**

- 10.1.1 All payments of salaries, pensions, compensation and other emoluments to all employees shall be made by the governing body or under arrangements approved by them.
- 10.1.2 All payments, including travel, subsistence and other allowances shall be made in accordance with current legislation, Revenue and Customs Regulations and relevant decisions of the LA and School Governing Body.

### **10.2 Authorisation**

- 10.2.1 Each governing body should nominate those members of staff within their school who will be authorised to certify timesheets, overtime claims and claims for travelling and subsistence. A list of such members of staff, together with specimen signatures, shall be maintained by the Head Teacher. Changes shall be notified promptly as they occur.

### **10.3 Notifications to HR and Payroll**

- 10.3.1 Each Head Teacher, or their nominated representative, shall notify their payroll and/or HR provider as soon as is practicable of all matters affecting the payment of emoluments by the school and in particular:
- (i) appointments, resignations, retirements, dismissals, suspensions, secondments, transfers and deaths, and for pensions, changes in marital status, dependants and deaths;
  - (ii) amounts to be recovered from pay e.g. repayment of training expenses on leaving;
  - (iii) absences from duty for sickness or other reason (e.g. jury service), apart from approved paid leave;
  - (iv) changes in remuneration (either permanent or temporary), other than normal increments, pay awards and agreements of general application;
  - (v) information necessary to maintain records of service for pensions, income tax, national insurance etc. This will include information on benefits in kind necessary to complete Inland Revenue forms P11D for employees e.g. leased cars;
  - (vi) all time sheets affecting payments due.
- 10.3.2 Notification may be by on-line entry into systems where appropriate.

#### **10.4 Disclosure of Officers' Emoluments**

10.4.1 The school shall disclose to the LA the number of officers whose emoluments in the year were £50,000 or more, grouped in rising bands of £10,000. It is a requirement of the CIPFA Accounting Code of Practice and Accounts and Audit Regulations (Regulations) 2015 that this is included in the LA annual statement of accounts.

#### **10.5 Self-Employed Status**

10.5.1 All payments to individuals, who consider themselves to be self-employed in respect of services provided to the school, shall still be processed through the payroll system unless the status of the individual has been confirmed as self-employed in accordance with the latest HMRC Guidelines. All casual and part-time employees will nevertheless be included on the payroll.

#### **10.6 Travel, Subsistence & Other Allowances**

10.6.1 All claims for the payment of car allowances, subsistence allowances, travelling and incidental expenses in relation to the performance of official duties shall be completed in a form approved by the School Governing Body, and paid in accordance with approved school procedures as currently in force.

10.6.2 Below Head Teacher level, claims by members of staff must be certified by an appropriate line manager, authorised to do so by their Head Teacher. Once claims are authorised, this indicates that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the school.

#### **10.7 Teachers Pensions Returns** (applicable to ex-Grant Maintained Schools and those schools that do not receive payroll via LBB)

10.7.1 In accordance with the School Standards and Framework Act 1998, the LA is responsible for the remittance of all Teachers Pension Agency contributions including Additional Voluntary Contributions (AVC's).

10.7.2 Schools are required to notify the Local Authority by the 28<sup>th</sup> of each month what the total pension and AVC deductions are for each School. Payments will then be paid to Teachers Pensions Agency and Prudential by the Local Authority with a deduction the following month from each school budget share payment. Payments to Teachers Pension Agency and Prudential will be made by the 7<sup>th</sup> each month.



## **11 COLLECTION OF INCOME**

Contact: **Schools' Finance Team/Internal Audit**

### **11.1 Monies Due**

11.1.1 The identification of all monies due to the school is the responsibility of the School Governing Body.

11.1.2 Head Teachers will take prompt action to either:

- (i) collect the income due within arrangements approved by the School Governing Body; or
- (ii) collect all income due or to ensure that appropriate recovery procedures are undertaken where necessary

### **11.2 Receipt of Monies**

11.2.1 Where appropriate (i.e. excluding school dinner monies), every remittance or sum of money received by a member of staff at the school shall immediately be acknowledged by the issue of an official receipt.

11.2.2 If a payer by cheque does not require a receipt, the amount should still be recorded with the receipt being retained. The form of all receipts or other official documents in use should be approved by the Governing Body. Receipt books should be serially numbered and a register should be kept of all receipts and issues of such documents to members of staff, which shall be acknowledged by the signature of the recipient.

11.2.3 All monies received on behalf of the school should be paid forthwith at the Governing Body's instructions either to an appointed contractor or be banked direct to the credit of the school. Every employee who receives monies shall maintain a record, in a form approved by the Governing Body, of all amounts received and deposited.

### **11.3 Transfers of Money**

11.3.1 Every transfer of official money from one member of staff to another will be evidenced in the records of the school concerned by the signature of the receiving officer.

### **11.4 Banking**

11.4.1 All bankings must be made promptly and intact i.e. personal cheques should not be cashed out of money received on behalf of the school and official expenditure should not be incurred (i.e. school meals income) from monies collected and due to be banked.

11.4.2 All members of staff responsible for banking monies should ensure that individual cheques are listed clearly on the reverse of the bank paying-in slip or comprehensive listing. Each member of staff who so banks should also enter on the paying-in slip a reference to the related debt (such as the receipt number or the name of the debtor) or otherwise indicate the origin of the cheque.

## **11.5 Security of money held**

11.5.1 Responsibility for the safe keeping of all school monies must be designated by Head Teachers to specified members of staff within their establishments.

11.5.2 Where monies are held overnight, secure arrangements must exist for their safekeeping. Keys to safes and other secure containers should be carried on the person of the key-holder or kept under secure conditions.

## **11.6 Charges**

11.6.1 All charges determined by the school shall be reviewed at least annually by the appropriate Governing Body Sub-Committee. Such reviews should consider the possibility of introducing charges where none are currently made.

## **11.7 Write-offs**

11.7.1 The Governing Body may write-off bad debts up to £1,000 for Secondary Schools and up to £500 for Primary Schools

11.7.2 Approval for all write-offs should be detailed in committee minutes. No uncollectable amounts above the limits set above including bad debts, should be written off except with the approval of the Director of Finance, whether exercised personally or properly delegated by him to a member of his staff for this purpose.

11.7.3 Any decision to write-off an amount must be taken with the authority of the Director of Finance, as stipulated in the Accounts and Audit Regulations 2015 whether exercised personally or properly delegated by him to a member of his staff. The amounts involved, and approval granted, should be recorded in the accounting records.

11.7.4 For further guidance on write-off procedures see [Appendix 5](#).

## **12 BANKING ARRANGEMENTS**

Contact: **Internal Audit / Schools Finance Team**

### **12.1 LBB Banking arrangements**

- 12.1.1 For schools that bank via LBB banking arrangements, any changes in the formal signatories should be notified to the authority along with a sample of the signature.
- 12.1.2 Schools should consider banking via the authorities main bankers, currently HSBC. Favourable interest rates and reduced charges are advantages to be considered.

### **12.2 HSBC Banking**

- 12.2.1 Schools are able to view their balances and statements on-line
- 12.2.2 All banking arrangements should be made by or via the Head Teacher, who is responsible for liaising with the school bankers in relation to the school bank accounts and the issue of cheques.
- 12.2.3 The Head Teacher shall be authorised to operate such subsidiary bank accounts as they deem necessary. Only the Head Teacher may open or close a bank account for dealing with the school's funds. All bank accounts shall be in the name of the school and never an individual.

### **12.3 Overdraft Facility**

- 12.3.1 School bank accounts shall not be permitted to become overdrawn.

### **12.4 Bank Reconciliations**

- 12.4.1 The Head Teacher shall ensure that the school's main bank account is reconciled at least once a month and subject to independent review, with large or unusual items investigated as appropriate.
- 12.4.2 The Head Teacher shall ensure that all subsidiary accounts under their control are reconciled at least once a month, and subject to independent review, with large or unusual items investigated as appropriate.

### **12.5 Cheques**

- 12.5.1 Cheque stationery shall be ordered only on the authority of the Head Teacher, who shall ensure that adequate bank records are maintained and regularly reconciled to records of cheques issued by the school.
- 12.5.2 Adequate security arrangements shall be maintained by the Head Teacher for all unused cheques for accounts under their control.

12.5.3 Cheques should only be signed by approved signatories after the cheque (including its counterfoil) has been completed in full. They should not be pre-signed under any circumstances.

12.5.4 All cheques must bear the signatures of two signatories approved by the governing body.

## **12.6 Approved Banks and Building Societies**

12.6.1 Accounts for receiving budget share payments and managing the school's financial affairs may only be held at any one of the banks or building societies as determined by the Director of Finance. These banks and building societies are as follows:-

- Royal Bank of Scotland Group (includes Nat West).
- HSBC.
- Barclays.
- Lloyds TSB Group (includes Bank of Scotland).
- Santander (includes Abbey National and Alliance & Leicester).
- Nationwide.

These restrictions do not apply to School Voluntary Fund bank accounts.

## **12.7 Closing Accounts**

12.7.1 Any school closing an account used to receive its budget share and opening another must select the new bank or building society from the approved list, even if the closed account was not with an institution on that list.

## **13 ASSETS**

Contact: **Internal Audit**

### **13.1 Responsibility of Head Teacher**

13.1.1 Head Teachers are responsible for the safe custody of all assets, including plant, machinery, vehicles, furniture, equipment and other non-consumable property held within their school.

### **13.2 Asset Register**

13.2.1 Each Head Teacher shall maintain either manual or electronic inventories listing all movable equipment (but not furniture, filing cabinets etc) in the custody of their school which:

- (i) cost or is valued in its current condition at more than £1,000; or
- (ii) is attractive and portable; and

13.2.2 The inventory should, where applicable, record details of make, model number etc of equipment held and wherever possible a serial number, and at least one copy should be held separately from the assets that it lists.

13.2.3 Each Head Teacher shall arrange for physical verification of the items on their inventory records to be undertaken at least annually. This verification should be evidenced in writing, signed by the authorised member of staff and retained for audit purposes.

### **13.3 Removal of property from school site**

13.3.1 The school's property shall not be removed except in the normal course of the school's business or used otherwise than for the school's purposes unless specifically authorised by the Head Teacher. Where a Head Teacher authorises temporary removal of property, a formal record shall be maintained indicating where the property can be located and shall be signed by the member of staff responsible for its safekeeping.

### **13.4 Identifying assets**

13.4.1 So far as is practical, all items should be effectively marked (using current security techniques e.g. invisible ink) as school property.

### **13.5 Deletions from the asset register**

13.5.1 Head Teachers may authorise items to be deleted from an inventory of their School where:

- (i) the item has become obsolete and / or is no longer adequate for the purpose intended;

- (ii) the item is broken or worn and of no further useful purpose;
- (iii) the item has become surplus to requirements;
- (iv) has been lost or stolen, in which case the Director of Finance should be informed for insurance requirements (where applicable).

### **13.6 Disposal of assets**

13.6.1 For disposal procedures see [Section 14](#)

## **14 DISPOSAL OF ASSETS**

Contact: **Internal Audit**

### **14.1 Obtaining Best Price**

14.1.1 Each School Governing Body is responsible for ensuring that the best possible price is obtained from the disposal of assets under their control.

### **14.2 Assets under £1,000**

14.2.1 If assets to be disposed are under the value of £1000, they should be disposed of at the discretion of the Governing Body.

### **14.3 Assets £1,000 to £40,000**

14.3.1 Where the estimated current value of the asset exceeds £1,000 but is less than £40,000 the following should be considered:

- (i) offer the item(s) to all schools and then Council Departments
- (ii) sealed tenders or offers;
- (iii) advertising;
- (iv) sale by public auction;
- (v) sales to staff (this method of disposal should be used only where there are good reasons for not pursuing other alternatives and should always be by sealed offers unless otherwise agreed by the Director of Finance).

### **14.4 Assets exceeding £40,000**

14.4.1 Where the estimated value of the asset(s) is over £40,000, the tendering procedures in [Section 6](#) of these Regulations shall be followed.

## **15 LOANS AND INVESTMENTS AND LEASES**

Contact: **Schools Finance Team/Internal Audit**

### **15.1 Loan Agreements**

15.1.1 As schools do not have the legal powers to borrow, the school Governing Body should not enter into any loan agreements, other than with the LA, without the written permission of the Secretary of State for Education and Employment as stipulated in the Scheme for Financing Schools.

### **15.2 Leases**

15.2.1 This prohibition also applies to some types of lease, which are equivalent to borrowing. Therefore, apart from operational leases such as those for photocopiers schools should seek the advice of the Local Authority for other types of leases.



## **16 INSURANCE, SECURITY OF ASSETS AND RISK MANAGEMENT**

Contact: **Insurance**

### **16.1 Introduction**

- 16.1.1 The School Governing Body shall be responsible for effecting or approving the arrangements for all insurance cover on behalf of the school. All such policies should be made available to the Director of Finance for inspection. The School Governing Body will also make arrangements to ensure that appropriate records are kept of all property and risks covered.
- 16.1.2 In accordance with the Standards & Framework Act 1998, the LA will require the school to demonstrate that cover relevant to the LA's insurable assets, under a policy arranged by the School Governing Body, is at least as good as the relevant minimum cover determined by the LA.
- 16.1.3 The School Governing Body is responsible for ensuring that all appropriate employees of the school shall be included in suitable fidelity insurance.

### **16.2 Assets**

*N.B. - The following regulations apply where cover is arranged by the LA*

- 16.2.1 The Head Teacher shall notify the Insurance and Risk Manager promptly in writing of any proposals that will effect insurance arrangements. Any additions, deletions or alterations in the functions of the establishment and any alterations or extensions to the school buildings, that could increase or decrease insurable risk should also be notified in writing. The Insurance and Risk Manager will give advice as appropriate.
- 16.2.2 All overnight cash holdings in safes must in practice be agreed with the Insurance Manager to effect Money Insurance cover, as this is covered internally as a risk rather than with external insurers. A safe schedule will then be maintained containing relevant details e.g. location, type, permitted maximum holding (as determined by the insurance market) and the agreed amount for the particular location. The overnight limit includes cash, postal orders, cheques and anything negotiable as money.
- 16.2.3 Schools will be advised of maximum levels of cash holdings for insurance purposes.
- 16.2.4 Head Teachers must ensure that the Insurance and Risk Manager is kept informed of any changes to the official departmental safe inventory, whether new safes or replacements.

### **16.3 Off-site assets**

- 16.3.1 Any employee of the school who is authorised to make use of their own vehicle in the execution of the school's business shall be responsible for effecting adequate insurance cover for such use and shall produce to their Head Teacher on request evidence of the adequacy of such cover, unless the school's insurance policy specifies otherwise.
- 16.3.2 Schools shall ensure that any item on the asset register taken off-site, are included under the insurance cover arranged either by the school or the LA.

### **16.4 Claims**

*N.B. - The following regulations apply where cover is arranged by the LA*

- 16.4.1 Head Teachers shall immediately notify the Insurance and Risk Manager and, where appropriate, the Police upon the occurrence of any loss, damage, liability or potential liability in connection with their school except that notification is not required if the value is less than £500 and results from malicious damage. Initial notification may be by telephone. Evidence supporting the claim should be provided in such form as may be required by the Insurance and Risk Manager.
- 16.4.2 In respect of liability claims, *no* comment should be made to any third party and *no* action taken without first consulting with the Insurance Section.
- 16.4.3 Head Teachers are responsible for ensuring that insurance limits are not exceeded in their establishments.

### **16.5 Security**

- 16.5.1 Keys to safes and similar receptacles shall be in the safekeeping of those responsible at all times. The loss of any such keys shall be reported to the Head Teacher immediately
- 16.5.2 Each School Governing Body is responsible for maintaining adequate security at all times for all assets under their control. All monies must be locked away when unattended and lockable cupboards should be used in the absence of a safe.
- 16.5.3 Head Teachers and Governing bodies shall take steps to adhere to any financial systems of check in connection with Fidelity Guarantee Insurance.
- 16.5.4 The Governing Body are responsible for maintaining proper security, at all times, for the buildings and assets under their control

## **16.6 Contractors**

16.6.1 It is the responsibility of the Head Teacher to ensure that any contractors appointed by the school provide details of adequate, continuing public and product liability insurance. Seek advice from the Insurance Manager regarding adequate insurance cover for contractors. Where any contract is arranged via the LA , the responsibility for verifying insurance shall fall to the appointing officer

## **16.7 Risk**

16.7.1 The Governing Body should ensure that a risk management process is maintained for the school.

16.7.2 Head Teachers must:

- ensure that adequate risk management controls are implemented, monitored and reviewed;
- notify the Insurance and Risk Manager immediately of any loss, liability or damage that may lead to a claim against the Council or the school;
- notify the Insurance and Risk Manager of all new risks, properties or vehicles that require insurance and of any alternations affecting existing insurances;
- consult with the Insurance and Risk Manager and the Head of Legal on any terms or any indemnity that the Council is requested to enter into on behalf of the school.

## **16.8 Further Contact**

16.8.1 Full details of information regarding insurance can be obtained from the Insurance and Risk Manager , Finance Department

## **17 INTERNAL AUDIT AND INTERNAL CONTROL**

Contact: **Head of Audit and Assurance**

### **17.1 Definition and Responsibilities**

17.1.1 Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Charter for Bromley's Internal Audit service is included at [Appendix 6](#).

17.1.2 An adequate and effective system of internal audit of the accounting records and control systems of the Authority will be maintained by the Director of Finance, under delegated authority from the Council.

17.1.3 The Accounts and Audit Regulations 2015 require the Authority ("relevant body") to maintain responsibility for internal audit, rather than the Responsible Financial Officer (RFO) designated under section 151 of the Local Government Act 1972. However, Bromley, like many other local authorities, has delegated this responsibility to the Director of Finance.

### **17.2 Access to documents and information for audit**

17.2.1 Upon production of proof of identity and authority, the Head of Audit and Assurance or his representative shall have the right to enter, without prior notice, every School and require any officer, member, teacher or governor:

- (a) to make available all documents of the School which relate to their accounting and other records as appear to the auditor to be necessary for the purpose of the audit, including any information of a confidential nature;
- (b) to supply such explanations and information as are considered necessary for the purpose of the audit; and require any member of staff, Governing Body or agent of the School to account for assets under his/her control.
- (c) to produce cash, stores or any property of the School in their custody.
- (d) the Head of Audit and Assurance or his representative shall be able to enter any Council premises or land, including the premises of Schools receiving delegated budgets from Bromley Local Education Authority;

### **17.3 The Audit Cycle**

17.3.1 The schools audit cycle is based on an assessment of risks. An annual report is provided to the Audit Sub-Committee which includes the schools' audits carried out during the previous year.

### **17.4 Audit Reports**

17.4.1 All audit reports shall be presented by the Head Teacher to the Governing Body for consideration. Where recommendations are accepted, their implementation shall be overseen by the Governing Body. Recommendations may only be rejected where there are valid reasons for doing so, and these reasons have been notified to Internal Audit.

### **17.5 Internal Control**

17.5.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives.

17.5.2 Head Teachers and Governors must ensure that adequate systems of internal control are established, adhered to, tested and reviewed.

## **18 FRAUD & CORRUPTION**

Contact: **Head of Audit and Assurance**

### **18.1 Reporting Irregularities**

18.1.1 Head Teachers and Governing Bodies under the Schools' Raising Concerns ("whistleblowing") procedure shall inform the Director of Finance immediately of any suspected irregularity affecting income, expenditure, cash, stores or other resource of the Council so that the Director of Finance may, if he considers it appropriate, conduct an independent investigation thereof.

18.1.2 All employees have a responsibility for the security of the School's assets. Any employee or Governor who becomes aware of non-compliance with these Regulations or suspects any irregularity in respect of the Schools' systems and procedures should immediately notify their Head Teacher, normally through their line manager. If for any reason an employee or Governor feels unable to raise their concern through school management, they should do so through a nominated officer referring to the Council's whistleblowing policy as detailed in section 3.7 of these Regulations.

### **18.2 Further Guidance**

18.2.1 Further guidance is contained in the Fraud & Corruption Protocol at [Appendix 7](#).

## **19 INFORMATION SYSTEMS**

Contact: **Information Management / Internal Audit**

### **19.1 Data Protection**

19.1.1 Each School shall ensure that adequate procedures exist to ensure compliance with the Principles of the GDPR and UK DPA Act 2018 in respect of personal data held in computerised and manual information systems. More information on the requirements of the Act can be found at <https://ico.org.uk/>

Each Head Teacher shall nominate a Data Protection Officer

- to inform and advise you and your employees about your obligations to comply with the GDPR and other data protection laws;
- to monitor compliance with the GDPR and other data protection laws, and with your data protection policies, including managing internal data protection activities; raising awareness of data protection issues, training staff and conducting internal audits;
- to advise on, and to monitor, [data protection impact assessments](#);
- to cooperate with the supervisory authority; and
- to be the first point of contact for supervisory authorities and for individuals whose data is processed (employees, customers etc).

### **19.2 Freedom of Information**

19.2.1 Each School shall comply with the requirements of the Freedom of Information Act 2000.

### **19.3 Safeguarding Information**

19.3.1 Information should be safeguarded and adequate back-up procedures should be followed. Any copies taken off-site should be stored securely.

19.3.2 All employees have a responsibility to ensure that they do not cause the loss, unauthorised destruction or disclosure of personal data in contravention of such Principles.

19.3.3 Each Head Teacher shall be responsible for ensuring that access to computer systems under their responsibility is properly controlled (e.g. appropriate use of, and regular changing of, confidential passwords)

### **19.4 Disaster Recovery Plan**

19.4.1 The Head Teacher shall establish a disaster recovery plan, which considers the recovery of records and data in the event of a serious incident such as a fire. Where possible this plan should be tested to ensure that school business shall continue as far as is possible.

## **19.5 Further Guidance**

### **19.5.1 Contact the Council's Information Management Team**



## **20 VOLUNTARY FUNDS**

Contact: **Schools Finance Team**

### **20.1 Standards of Guardianship**

20.1.1 Voluntary funds often provide schools with a substantial additional source of income. Although such funds are not public money, the standards for the guardianship of these needs to be as rigorous as those for the administration of the school's delegated budget. Parents, pupils and other benefactors are entitled to receive the same standards of stewardship for the funds to which they have contributed.

### **20.2 Voluntary Fund Account**

20.2.1 Where a School operates a Voluntary Fund that incorporates a separate bank account, accounts should be drawn up annually, including:

- A Balance Sheet
- Income and Expenditure Statement

20.2.2 Where the voluntary fund is merged into the main school fund, transactions for voluntary funds should be clearly identified.

### **20.3 Audit of Voluntary Fund**

20.3.1 Voluntary fund accounts should be audited by a suitably qualified individual independent of the fund. The auditor should give assurance that the same standards of financial accounting which apply to income and expenditure for the school's delegated budget are applied to the voluntary fund.

20.3.2 The audited accounts and audit certificate should be presented to Governors as soon as possible after the end of the accounting year and their approval minuted.

20.3.3 Internal Audit reserve the right to review the Voluntary Fund if required.

## 21 RETENTION OF DOCUMENTS

Contact: **Director of Education and Information Management Team**

### 21.1 Secure Retention

21.1.1 Head Teachers shall be responsible for ensuring that the accounts and supporting records of the school are maintained securely in accordance with proper practices and for the safe custody and proper use of controlled stationery (i.e. having an implicit monetary value) within their establishment.

Head Teachers shall ensure that accounting records are retained in safe custody for such period as shall be determined by the Director of Finance and no voucher or other document shall be destroyed before the specified period has elapsed. The Director has determined that the Financial, Payroll and Pension records should be kept in line with the Information and Records Management Society of the UK "School's Toolkit". Please follow the link below:

[IRMS Schools Toolkit](#)

### 21.2 Disposal of Documents

21.2.1 Application of a current year +6 year retention for most financial records related to schools is likely to be an adequate minimum retention period, except for loans and grants and contracts under seal where current year + 12 years minimum is required.

21.2.2 The ultimate disposal of financial records should be arranged by each Head Teacher as "confidential waste" and on no account should sensitive information be disposed of through the normal waste collection process.

**APPENDIX 1: SCHOOL FINANCIAL MANAGEMENT - LINE DELEGATION AND ACCOUNTABILITY**

**Governing Body**

Delegated powers for decision-making to:-

FINANCE COMMITTEE  
(Via Terms of Reference)

**Finance Committee**

Budget Approval  
Virement approval over (amount agreed to be input)  
Monthly Monitoring Reports  
Termly reporting to full Governing Body  
Accountability to LA and Parents  
Delegation to HT

**Head Teacher**

Preparation of Draft Budget Report  
Reporting to Governors  
Virement of monies up to (amount agreed to be input)

Weekly Monitoring  
Delegation to Senior Admin Officer  
Monitoring or Expenditure  
Authorising Orders/Invoices  
Ensure up to date inventories are kept of stock and other assets – checked annually  
Ensure compliance with schools Financial Regulations

**Staff who are Named Signatories**

To sign Cheques

**NB Three people to be involved in the whole payment process through from ordering to signing of cheque.**

Finance Officer or Equivalent

See Tasks

**Tasks for the Finance Committee**

To report to the Governing Body termly, in writing

To agree virement over £..... (AMOUNT AGREED BY GOVERNORS TO BE INPUT)

To participate in Budget Setting

To monitor Monthly Budget Reports

To monitor expenditure against Budget and evaluate the outcomes

### **Tasks for the Head Teacher**

Agreeing Budget Share Allocation with LA

Drafting the Budget with Finance Committee

Consulting the Deputy Head re Curriculum Budget, other Post holders and non teaching staff along with SIP priorities

Monitoring of Budget Spending

Approving Invoices for payment

Signing Cheques in the absence of Deputy Head or other signatories

Presentation of Accounts to Finance Committee (Budget Share Account/Voluntary Fund Account)

Ensure that internal financial procedures and systems are followed

Sign off bank reconciliation when completed

### **Tasks for the Deputy Head**

Participation on the Finance Committee

Signing Cheques

Authorising Orders and Invoices in the absence of the Head Teacher

### **Tasks for the Post holders and Site Manager**

Planning, presentation and monitoring of their particular curriculum and/or management budgets

**Tasks for the Finance Officer or Equivalent**

To be responsible for:-

Recording External Income

Reconciling Bank Statement monthly

Banking of all monies

Raising all Orders

Checking receipt of goods

Checking Invoices – preparing for payment

Payment of Invoices

Signing of Cheques

Checking correct coding to Ledger Code and Cost Centre

Control of Petty Cash Accounts

Monitoring of recording procedures

Finance Committee monthly reports

Monthly reports to Budget Holders re spending

Ensuring regular back-up procedures are followed for computerised financial records

Recording income and expenditure for School Voluntary Fund

Preparing and submitting School Voluntary Fund for auditing

Ensuring 'value for money' when ordering

Chasing up outstanding goods

Reporting damaged or faulty goods to suppliers

**APPENDIX 2: REGISTER OF GOVERNORS AND STAFF BUSINESS INTERESTS**

Example

I set out below any business interests (e.g. directorships, partnerships, see overleaf) which could be relevant to goods and services supplied to the school, and have put “none” where I have no such interests.

Governor/Staff Member (please delete accordingly)

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Close family member i.e. Spouse/Partner

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**I declare that I have not knowingly:**

- omitted any information that I ought to declare;
- provided any information that is false.

**Signed:**

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**Print Name:**

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—

**Date:**

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— **Clerk to the Governors:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**BUSINESS INTERESTS**

- 1) We have no set definition of a 'significant interest'. You should consider whether the interest is likely to be regarded as such if it were publicly known. For example, we are not likely to regard £5,000 invested in a major national organisation (eg: Barclays Bank) as significant; whereas £5,000 invested in a smaller company providing local services would be something which you should declare. If in doubt, please tell us.**
  - **take no part in the consideration or the discussion of the contract or matter,**
    - **unless the governing body otherwise allow, withdraw from the meeting during such consideration or discussion; and**
  - **do not vote on any question with respect to the contract or matter.**
- 2) A person shall be treated as having an indirect business interest in a contract, proposed contract or other matter within paragraph 1) if:**
  - **He/she or any nominee of his/hers is a member of a company or other body with which the contract was made or is proposed to be made or which has a direct business interest in the matter under consideration: or**
  - **He/she is a partner, or is in the employment of, a person with whom the contract was made or is proposed to be made or who has a direct business interest in the matter under consideration.**
- 3) A person shall be treated as having a direct or indirect business interest in a contract, proposed contract or other matter, if a relative (including his/her spouse) living with him/her, to his/her knowledge has, or would be treated (under paragraph 2) above) as having such an interest, direct or indirect.**

## APPENDIX 3: LATE PAYMENT OF DEBTS

### Background

1. The Late Payment of Commercial Debts (Interest) Act 1998 and the Late Payment of Commercial Debts Regulations 2013 provides a statutory right to claim interest on the late payment of commercial debts. Previously, businesses were only able to claim interest on late paid debts if it was included in the contract or if they pursued the debt through the courts and the courts decided to award interest.

### Contracts

2. The legislation gives precedence to contractually agreed provisions. However, the Act contains provisions to prevent parties to a contract “contracting out” of the legislation by setting very low rates of interest on late payments, or by extending credit terms excessively or by any other terms which result in no substantial remedy for late payment. The provisions apply the test of “reasonableness” to such terms.

### Definition of key terms

3. *Late payment*: a payment is “late” when it is received after:
  - the expiry of the contractually agreed credit period (whether agreed orally or in writing); or
  - the credit period in accordance with trade custom and practice or in the course of dealing between the parties; or
  - the default credit period defined in the legislation (30 calendar days).
4. *Commercial debt*: the Act applies to a debt under a contract for the supply of goods or services where the purchaser and the supplier are each acting in the course of a business.

### Size of Debt / Statute of Limitations

5. No minimum level has been set below which a claim for interest cannot be made but claims for interest must be made within six years.

### Credit periods

6. Where no credit period is defined in a contract, or no contract exists, the Act sets a default credit period of 30 (calendar) days from delivery of an undisputed invoice for payment, or delivery of the goods and / or service, whichever is the later.
7. This is also the measure used by the Local Authority for payment of undisputed invoices. Time starts from the date the Local Authority (not the payment section) receives the invoice to the date of:





## APPENDIX 4: ACCOUNTING FOR VAT

Schools (excluding Community non-cheque book schools) are responsible for the administration of VAT relating to their own activities.

It is important that each school understands its responsibilities in this regard. Failure to comply with the requirements of HM Revenue and Customs may result in penalties being imposed on the Authority. In this situation the penalty would have to be met from the school's budget share.

The guidance set out below is intended for general guidance only. For more detailed and definitive advice schools should get further information and VAT advice from Maria Wiles in the Chief Executives Department.

### Income

Debtors' invoices raised by Schools need to meet the same requirements as a full tax invoice received from suppliers (see below under "checking that your invoices are valid") and must also include a "unit price". Unit price applies to countable goods or services, for example an hourly rate for services or price per item for goods. If the supply cannot be broken down into countable elements then the total tax exclusive price will be the unit price. The unit price may not need to be shown at all if it is not normally provided in a particular business area and is not required by the customer.

### Expenditure

The VAT element of expenditure should always be coded out separately.

Checking that your invoices are valid

**HM Revenue & Customs lays down strict rules on what constitutes a valid VAT invoice. You must ensure that the invoices processed by your School meet these requirements in order for the Authority to be able to recover the VAT. Details are as follows:**

Full Tax Invoice - (for all Invoices of more than £250)

A full tax invoice must show the following information:

An identifying number for the invoice

The supplier's name, address and VAT registration number

The date and a description of the goods or services supplied

The customer's (the London Borough of Bromley or its representative e.g. School) name and address

The unit price

The total charge made, excluding VAT

The rate of any discount offered, if applicable

The total VAT payable, shown as a separate amount

Less Detailed Tax Invoice - (for Invoices of £250 or less including VAT)

A less detailed tax invoice (e.g. a till receipt) must still show the following information:

The supplier's name, address and VAT registration number

The date and a description of the goods or services supplied

The total charge made, including VAT

The rate of VAT applicable (not all supplies may be standard rated)

Invoices or reimbursements of less than £25 (including VAT) for the following do not require VAT invoices:

Telephone calls from public or private telephones

Purchases through coin operated machines

Car park charges (on-street parking meters are not subject to VAT)

HM Revenue & Customs will allow recovery of the VAT element as long as the supplier is properly VAT registered. Most of the payments will be staff expenses reimbursed via petty cash and schools are reminded that the VAT element of such payments must be separately allocated.

Errors on Tax Invoices

Where errors have been identified on tax invoices e.g. the VAT has been calculated incorrectly, you must not attempt to correct these or amend the invoice in any way.

The supplier must cancel the invoice, usually by way of a credit note, and re-issue a correct tax invoice.

**Pro Forma Invoices**

Pro forma invoices are sometimes used by suppliers to offer goods or services, which may or may not be taken up by the customer. Pro forma invoices cannot be used as evidence for reclaiming VAT and will normally be marked "THIS IS NOT A VAT INVOICE". Where such payments are made the supplier must issue a proper tax invoice.

**Part Payments on Disputed Invoices**

If a part payment is made on a disputed invoice VAT should be calculated on this amount and added to the payment. The original invoice should be retained and any VAT included in the part payment can be recovered in the normal way as long as it does not exceed the VAT shown on the disputed invoice. Where the disputed invoice subsequently turns out to be incorrect the supplier should be requested to issue a credit note, which bears a reference to the identifying number and date of the invoice. The VAT adjustment on the credit note, plus the VAT element on the original invoice, should then equate to the actual payment of VAT.

**Sub-Contractors Invoices**

Where a contractor to the Council who is not registered for VAT employs a sub-contractor who is registered for VAT, the Council cannot recover VAT included on the sub-contractor's invoices even if these are made out to the London Borough of Bromley. This is because the supply for VAT purposes is between the sub-contractor and the main contractor and not the Council.

## Removal Expenses

Where an employee is reimbursed actual removal expenses the School can reclaim the VAT element of those expenses from HM Revenue & Customs even though the original invoice is made out to the employee. The majority of these reimbursements are made through payroll. When schools submit removal expenses claims for reimbursement would they please ensure that the VAT element is identified so that the payroll section/provider can allocate the VAT separately and that valid VAT invoices accompany all claims.

Where a school makes the payment direct please ensure that the VAT element is separately coded

## Monthly VAT Return

All VAT should be accounted for on a payments and receipts basis. When the VAT return is received at Chief Executives Department it will be consolidated into the Authority's overall return to HM Revenue and Customs. Once this has been done a payment will be made to the school for reimbursement for the VAT submittal.

## Penalties

HMRC may impose penalties for misdeclarations of VAT for whatever reason. The penalty may represent 100% of the amount involved. Where the total of all misdeclarations or errors is £10,000 or less no penalty will be imposed as Customs & Revenue allows these misdeclarations to be included in the next VAT return without any specific reference to the local VAT office. However, if the misdeclaration or error in total exceeds £10,000 Schools should not attempt to correct these but should instead notify Maria Wiles in the Chief Executives Department on extension 7565. Generally, errors can only be corrected in the last four years. These will then be referred on a case-by-case basis to the VAT office in London.

Interest will be charged on misdeclarations of VAT even if no penalty is imposed. However, Schools should be aware that they will be charged with any interest or penalty payments that may be payable to Revenue & Customs.

## Supplies of Goods and Services between Local Authorities

Local Authorities are required to charge VAT on the sale of goods to other Local Authorities in the same way, as VAT is chargeable on sales to other organisations. Please remember to charge VAT on such sales at the standard rate (20%).

Certain services between Local Authorities are also subject to VAT if provided in competition with other organisations. However, VAT should not be charged on any services provided under a statutory obligation as these are deemed to be non-business. If you are in any doubt about the correct VAT treatment you should contact Maria Wiles in the Chief Executives Department on extension 7565.

## Guidance Notes

As you are aware VAT is a very complex area of taxation. If your School wishes to issue further guidance notes to staff it is MOST IMPORTANT that all drafts of guidance are cleared by the Chief Executives Department before being issued. Your

draft can be e-mailed to Maria Wiles who will check your guidance against the latest HMRC advice.

**VAT Registration Number**

The London Borough of Bromley's VAT registration number is "205 5959 54"

**Queries**

Any VAT queries should be referred to Maria Wiles in the Chief Executives Department on extension 7565.

## **APPENDIX 5: PROCEDURE FOR WRITE OFFS**

### **Background**

1. The Authority has a duty to maximise revenue collection. However, circumstances may arise in which amounts due must, for all practical purposes, be deemed un-collectable.
2. The Accounts & Audit Regulations 2015 require that in such circumstances a decision to write-off an amount must be taken with the authority of the “section 151 officer” (i.e. Director of Finance), whether exercised personally or properly delegated by him to a member of his staff. The amounts involved, and approval granted, should be recorded in the accounting records.
3. No such provisions apply where debts are “cancelled” i.e. because they were incorrectly raised (e.g. wrong amount, wrong debtor) or “waived” i.e. because an authorised policy decision was taken not to charge or to reduce the charge of an amount otherwise properly payable by a debtor.

### **Bad Debts / Loss of Income**

4. The Director of Finance may approve the write-off of any amounts properly charged, but deemed uncollectable, in the following cases:
  - (i) bankruptcy or liquidation (where every effort should be made to minimise the loss);
  - (ii) the company having ceased trading and there being no assets;
  - (iii) the debtor being untraceable or having moved abroad;
  - (iv) court decisions;
5. Other individual bad debts or loss of income, not falling into these categories, may be written off as follows:
  - (i) By the Governing Body, if it does not exceed £1,000 for secondary schools and £500 for primary schools;
  - (ii) by the Director of Finance, or his delegated officer, if over £1,000 not exceeding £5,000;
  - (iii) by the Director of Finance after consulting with the relevant Executive Member if over £5,000 not exceeding £25,000;
  - (iv) by the Director of Finance with the approval of the Executive if exceeding £25,000.

## **APPENDIX 6: INTERNAL AUDIT CHARTER**

### **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.

### **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.

### **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.

### **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.

### **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.

### **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.

**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

## APPENDIX 7: FRAUD & CORRUPTION PROTOCOL

### Introduction

This protocol specifies how the Director of Finance and Head Teachers and Governing Bodies should manage alleged cases of fraud or corruption. It clarifies responsibilities for carrying out investigations and advises on action to be taken.

Fraud is defined by The Fraud Act 2006 as follows:

A person is guilty of fraud if he is in breach of any of the following:

Fraud by false representation; that is if a person:

- (a) dishonestly makes a false representation, and
- (b) intends, by making the representation:
  - (i) to make a gain for himself or another, or
  - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by failing to disclose information; that is if a person:

- (a) dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
- (b) intends, by failing to disclose the information:
  - (i) to make a gain for himself or another, or
  - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by abuse of position; that is if a person:

- (a) occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person,
- (b) dishonestly abuses that position, and
- (c) intends, by means of the abuse of that position:
  - (i) to make a gain for himself or another, or
  - (ii) to cause loss to another or to expose another to a risk of loss.

The Fraud Act 2006 repeals certain offences that are detailed in the Theft Acts of 1968 and 1978. The term “fraud” is usually used to describe depriving someone of something by deceit, which might either be misuse of funds or other resources, or more complicated crimes like false accounting or the supply of false information. In legal terms, all of these activities are the same crime, theft, examples of which include deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

Corruption is defined as:

The deliberate use of one’s position for direct or indirect personal gain. “Corruption” covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.

Theft is defined as:

The physical misappropriation of cash or other tangible assets. A person is guilty of “theft” if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.

Money laundering is defined as:

The process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back.

All employees are instructed to be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails. Detailed guidance is set out in the Council's Money Laundering Policy.

Bribery is defined as:

The Bribery Act 2010 introduces four main offences, simplified as the following.

- Bribing another person: a person is guilty of an offence if he/she offers, promises or gives a financial or other advantage to another person.
- Offences relating to being bribed: a person is guilty of an offence if he/she requests, agrees to receive, or accepts a financial or other advantage. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate advantage or not.
- Bribery of a foreign public official: a person who bribes a foreign public official is guilty of an offence if the person's intention is to influence the foreign public official in their capacity, duty or role as a foreign public official.
- Failure of commercial organisations to prevent bribery: organisations, which include the Council, must have adequate procedures in place to prevent bribery in relation to the obtaining or retaining of business.

Note: A 'financial' or 'other advantage' may include money, assets, gifts or services.

All employees have a responsibility for the security of the Schools assets. Any employee who suspects any irregularity should immediately inform their Head Teacher, normally through their line manager. If for any reason an employee feels unable to raise their concern through line management, then they should refer to the procedure outlined in section 3.7, Raising Concerns in Schools and seek advice from the Director of Education or Liberata Schools Team in the first instance.

Head Teachers and nominated officers, under the Raising Concerns Procedure, have a responsibility to inform the Director of Finance immediately of any suspected irregularity affecting income, expenditure, cash, stores or other resource of the Council. The Director of Finance may, if he then considers it appropriate, conduct an independent investigation.

The Council in consultation with school management, will take legal and/or disciplinary action in all cases of fraud or irregularity where it is considered appropriate.

### **Initial Allegation or Suspicion**

Internal Audit and the Head Teacher should be promptly informed of any allegations or suspicions of fraud or irregularity. To facilitate a speedy and appropriate response to any concerns expressed, initial information provided should, where possible, outline the following:

- The nature of the potential or actual loss to the School
- When and how the matter came to light
- Officers and /or other parties alleged to be implicated (names and designations where appropriate)
- “Organisation” structure showing the position and responsibility of the person(s) allegedly involved
- identify those who are aware of the potential fraud/irregularity

Care needs to be taken to ensure that members of staff who may be involved in the suspected irregularity do not become aware of the situation. Staff should not carry out their own investigation prior to notifying Internal Audit as this can affect any subsequent investigation.

Internal Audit will advise if the circumstances demand immediate action to safeguard evidence or to avoid further loss to the School. This may include removing documentation from the site and /or the suspension of employees.

Internal Audit will also advise on whether, and if so when, the Police should be informed. Initial contact with them should be made by Internal Audit. As a general rule the Council can carry out its own investigations regardless of any police involvement.

(Note: there may be instances where it is not possible to contact Internal Audit promptly e.g. weekends or evenings. At such times, for cases of identified theft rather than suspected fraud or irregularity, it is more appropriate for the matter to be reported immediately to the local police station and a crime reference obtained. In these instances Internal Audit, line management and the Insurance Manager should be informed of the details the next working day.)

### **Investigation**

Responsibility for carrying out independent investigations lies with Internal Audit in partnership with the Royal Borough of Greenwich’s Fraud Team. In some cases, however, it may be more appropriate for staff in the relevant School to carry out the investigation with Internal Audit acting in an advisory capacity. The most appropriate approach will be decided by Internal Audit following the initial contact and may be revised during the investigation.

Any investigation should be carried out promptly and thoroughly. To do this staff may need to be interviewed and documentation reviewed. All stages of the investigation should be thoroughly documented. The investigation should involve, as a minimum, the following:

- a clear understanding of the allegation/suspicion
- a review of all relevant documentation. Note that documents may need to be retained during the investigation
- identification and interviews with all appropriate staff/individuals to determine such things as relevant procedures and practices
- consideration of alternative explanations for the situation
- an evaluation of all the evidence
- a conclusion based on the findings

The findings of the investigation could be used during disciplinary or legal action. Consequently care needs to be taken to ensure that evidence is safeguarded and that the investigation is thorough and the conclusions reached are valid. The findings of the investigation should be treated as confidential.

During the investigation it may be necessary for individuals to be interviewed under caution. This should be carried out by suitably qualified staff following Legislation and relevant guidelines.

There will be instances where documentation is taken away by Internal Audit or the investigating officer for safeguarding during the investigation. The originals should be removed rather than copies. These should be kept secure and a statement prepared stating how, when and who removed the documents and where they will be stored. A decision on the removal of documents needs to be made early on in the investigation to avoid the risk of unauthorised removal or tampering.

The Head Teacher and Head of Audit and Assurance should be kept informed of progress during the investigation. This can be done verbally and/or by preparing written progress reports. At the end of the investigation a report should be prepared for the Head Teacher and Head of Audit and Assurance. This should include all the issues listed above together with any other relevant information. This should form the basis of a decision for any further action to be taken.

### **Action**

It is for the Head Teacher to take appropriate action where there is evidence to support instances of fraud or irregularity. The Head of Audit and Assurance should be kept informed of action taken and relevant outcomes. These could include referral to the police, disciplinary action and/or recovery of any amounts involved.

The Head Teacher is also responsible for ensuring that any system weaknesses identified during the investigation are addressed.

The authority has a detailed anti fraud and corruption strategy that sets out Bromley's expectations. It is suggested that Schools make reference to the Anti-Fraud and Corruption Strategy 2019. Further advice is available from the Head of Audit and Assurance.



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