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DATE: 1st March 2021

To: Members of the
AUDIT SUB-COMMITTEE

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

A meeting of the Audit Sub-Committee will take place virtually on **TUESDAY 9 MARCH 2021 AT 6.30 PM**

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 3RD NOVEMBER 2020 (EXCLUDING THOSE CONTAINING EXEMPT INFORMATION) (Pages 5 - 16)**
- 4 **QUESTIONS TO THE AUDIT SUB COMMITTEE**

In accordance with the Council's Constitution, questions that are not specific to reports on the agenda must have been received in writing 10 working days before the date of the meeting. So any questions for the Audit Sub Committee would have been due to be received by close of business on 23rd February 2021.

Questions specifically concerning reports on the agenda should be received within two working days of the publication date of the agenda. Therefore, please ensure that questions specifically regarding reports on the agenda are received by the Democratic Services Team by **5pm on 3rd March 2021**.

Any questions for reports on the agenda can be sent direct to stephen.wood@bromley.gov.uk

5 MATTERS ARISING (Pages 17 - 20)

6 INTERNAL AUDIT REPORTS PUBLISHED ON THE COUNCIL WEBSITE

Internal Audit has published the following reports on the Council Website:

1. Community Testing Grant Letter of Confirmation.
2. Covid 19 Claim Process for the Retail, Hospitality and Leisure Grant Fund Scheme
3. Covid 19 Claim Process for the Small Business Grant Fund Scheme
4. Review of Purchasing Cards
5. Review of Payroll, Expenses, Allowances and Overtime

The link to the reports is:

<https://cds.bromley.gov.uk/ieListDocuments.aspx?CId=559&MId=7192&Ver=4>

Please advise by 5.00pm on 3rd March if you have any questions regarding these reports.

7 ANNUAL INTERNAL AUDIT PLAN 2021-22 AND INTERNAL AUDIT CHARTER (Pages 21 - 40)

8 INTERNAL AUDIT PROGRESS REPORT (Pages 41 - 64)

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 65 - 80)

- 11 EXEMPT MINUTES OF THE MEETING HELD ON 3RD NOVEMBER 2020 (Pages 81 - 82)** 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 virtual meeting held at 6.30 pm on 3 November 2020

Present:

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

Also Present:

Janet Dawson from Ernst & Young

49 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillor Stephen Wells.

50 DECLARATIONS OF INTEREST

Councillor Robert Evans declared an interest as a Governor of Saint Olave's School.

51 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 15th JULY 2020--EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

The minutes of the meeting that took place on the 15th of July 2020 (excluding exempt information), were noted and agreed as an accurate record.

52 QUESTIONS TO THE AUDIT SUB COMMITTEE

No questions were received.

53 QUESTIONS ON THE AUDIT REPORTS PUBLISHED ON THE COUNCIL WEBSITE

No questions had been received concerning the internal audit reports that had been published on the Council website.

54 ANNUAL AUDIT LETTER

Janet Dawson from Ernst & Young attended the meeting to provide the update regarding the Annual Audit Letter from the external auditors.

The Committee noted that the Council's external auditors were required to issue an annual audit letter to the Council following completion of their audit procedures for the year ended the 31st of March 2019.

Ms Dawson referred to Ernst and Young's Annual Audit Letter and the relevant key points contained therein and explained that this related to the audit undertaken for year ending 31st of March 2019. The letter outlined the work that had been undertaken and the key points and issues raised. The main findings of the audit had been reported back to the General Purposes & Licencing Committee .

The Chairman referred to page 22 of the agenda which was Ernst and Young's executive summary. This highlighted issues that could impact on Ernst & Young's risk assessment--being defined as 'disclosures on going concern.' The commentary indicated that financial plans for 2020/21 and medium-term financial plans would need revision because of the impact of COVID-19. Ernst and Young considered that the unpredictability of the current environment could give rise to a risk that the Council would not appropriately disclose the key factors relating to 'going concern'. The Chairman asked for more clarity on what this meant. Ms Dawson explained that Ernst & Young were reporting on the accounts ending in March 2019, but approval for those accounts was not signed off until August 2020. Ms Dawson said that as the accounts had been signed off late, then they had to note a possible impact that Covid 19 may have had on the Council's accounts and financial position.

The Chairman enquired, (with respect to the matter of 'going concern'), if Ernst & Young would treat the Council differently from a private sector company, as the Council may have access to funds that would not be available to a private company. Ms Dawson responded that the requirements for auditors were set out in the International Auditing Standards—they applied equally to the Council as they would to a corporate entity. The Government had issued guidance known as 'practice note 10' which outlined the fact that councils should be treated as going concerns unless there were any planned legislative changes that could alter that position by ceasing the existence of a Council within the next 12 months.

Ms Dawson stated that the auditors were obligated to examine a council's financial resilience and cash flow position to assess if they were still able to undertake the various services that they were expected to undertake. The auditors also had to satisfy themselves that councils had sufficient financial resilience and cash flow to satisfy and fulfil their various financial obligations without having to borrow money or take out any loans.

The Vice Chairman referred to the problems highlighted by E&Y with the valuation of Strategic Property. He asked Ms Dawson what the situation was regarding the valuations undertaken in the previous audit by KPMG.

Ms Dawson answered that she did not know in any detail, but confirmed that E&Y had reviewed their files to understand the levels of assurance that had been noted. When E&Y looked at the information that had been supplied to

support the valuations, then it became clear that the valuations were not sufficiently robust.

The Vice Chairman referred to page 37 of the agenda documents which was the section relating to value for money. He highlighted the statement that had been made by Ernst and Young in the report, which said that E&Y were unable to conclude whether the council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending the 31st of March 2019, until they had concluded their work on the objection to the financial statements.

The Vice Chairman pointed out that the objections raised were a relatively small part of the Council's operation and he asked why Ernst & Young (on that basis), could not offer a qualified statement. He asked for an update on the current position. Ms Dawson explained that objections had been received for 16/17 and 17/18 which were being dealt with by the previous auditor. E&Y had received objections for 18/19. E&Y needed information from KPMG to assess whether there was any particular governance or management information issue that may need dealing with. It was therefore difficult for E&Y to give assurance with respect to value for money until the response from KPMG had been received. The fact that KPMG had not concluded their audit was now holding up the audit work of Ernst and Young. Ernst and Young did not wish to duplicate any work that had already been undertaken by KPMG.

The Vice Chairman raised the issue of whether or not there would be an additional fee for extra work that had been undertaken or would need to be undertaken with respect to dealing with the objections. Ms Dawson answered in the affirmative and explained that additional fees were normally applicable to councils across the board when extra work was required to deal with objections; this would be agreed by the PSAA (Public Sector Audit Appointments) if this could not be agreed by the Council and the Auditor.

A Member enquired about the mention in the report concerning an upgrade to the Council's financial system that was being considered. He asked Ms Dawson if she was confident that Bromley would have this in place by March 2022. Ms Dawson responded that this would be a question better directed to the relevant officers.

The Chairman referred to page 45 of the report which was in respect of the additional fee of £127k. He asked if Ms Dawson could remind the Committee of the correlation between fees and the Council's current financial system. Ms Dawson responded that E&Y had applications which required access to the full suite of data in the general ledger. This data needed to be pulled securely into E&Y's systems. E&Y would then drill down and analyse the data; Ms Dawson said that the Bromley system made this difficult. Resultantly, much manual drilling down and reconciliation was required along with the need to access manual records. This meant it took E & Y longer to access the data than would otherwise be the case.

The Chairman said that he did not think that the particular financial system used by Bromley was bespoke to Bromley, but that it was also used by other local authorities. He inquired if Ernst & Young had experienced similar problems when auditing other local authorities. Ms Dawson answered that the financial system used by the Council had not been updated for several years, and was not in the latest format as used by most other councils. It was for this reason that the Council was aiming to upgrade their financial system by March 2022. The Chairman pointed out that the Bromley financial systems had been the same for several years, and that Ernst and Young would have been aware of this when they quoted originally for the work.

Ms Dawson explained that there was a disconnect in the market, and that both E&Y and the PSAA had been working off incomplete information when the fees were originally agreed.

The Chairman enquired regarding the breakdown of the £127k in fees and asked how much of this was resultant from the extra work undertaken because of the problems with the valuation of strategic property. Ms Dawson confirmed that the extra work caused by the valuation issues had made up a significant proportion of the extra charges, but she was not aware of the precise breakdown on the night—however it was at least 50%. This was a matter that was being discussed with the PSAA and the Director of Finance.

The Head of Audit and Assurance briefed the Committee that the report regarding the new financial system would be going for scrutiny in November, and then to Full Council in December. He was optimistic that the new system would be implemented in a timely fashion.

RESOLVED that the Annual Audit Letter be noted.

55 THE REDMOND REVIEW OF LOCAL AUTHORITY FINANCIAL REPORTING AND EXTERNAL AUDIT

The Head of Audit and Assurance briefed the Committee on the main points of the report on the Redmond Review of Local Authority Financial Reporting and External Audit. The Committee noted that the report set down the results of the Redmond Review and that there were a number of recommendations in the report which may impact on the Council in the future.

The Head of Audit and Assurance explained that the Redmond Review was one of four reviews that had taken place recently, which examined the transparency and efficiency of external audit within the UK. It also examined whether or not external auditors had been properly identifying those local authorities that were in financial difficulties soon enough. It looked at issues like whether or not the current system was fit for purpose and if the public had lost faith in the external audit process.

The Head of Audit and Assurance referred Members to section 9.3 of the Redmond Report which stated that audit work was currently under-resourced and that to address this weakness, a fundamental review of the fee structure

was necessary. The report noted that evidence had suggested that audit fees were at least 25% lower than was required to fulfil current local audit requirements effectively. It was also pointed out in the report that the current deadline of the 31st of July was viewed as being unrealistic--there was a compelling argument to change this date to the 30th September.

Some of the new regulations could be implemented without legislation, except for the recommendation that a new Regulator be established.

The Head of Audit and Assurance explained that with regard to the recommendations in the report, it was expected that the Ministry for Housing Communities and Local Government would need to respond. It was recommended that an annual report from the external auditors should be submitted to Full Council after the 30th of September. A key recommendation that was of interest to the Audit Sub-Committee was the recommendation to consider whether or not one independent member with sufficient training and expertise should sit on local audit committees to aid in support and scrutiny. There was also a recommendation that the Head of Paid Service, the Section 151 Officer and the Monitoring Officer should meet with one of the key partners from external audit on a regular basis.

The report also recommended that a simplified breakdown of costs and services statement should be made available to the public, and that this should be subject to audit. The intention was that this would be trialled next year without being audited, and then the following year it would be published in a similar manner to other audited statements.

The Head of Audit and Assurance asked the Committee how they would like to progress the issue regarding recruiting an independent member to the sub-committee.

The Chairman asked the Head of Audit and Assurance if the extended deadline for the publication of accounts could result in reduced audit fees. The Head of Audit and Assurance responded by saying that the increased time scale allowed for the final publication of the accounts would help in terms of the competition for specialised resources and expertise by the external auditors and having more time would make things more easily achievable.

A discussion took place amongst the Committee regarding the possible merits and demerits of adding an independent member to the Committee. It was noted that a possible advantage to utilising an independent member could be that the person appointed could add experience that may be lacking and could fill a skills gap. An idea that was suggested was that the Council look at other local authorities to see how they were dealing with this matter. One of the issues that would need to be decided would be whether or not the independent member would be paid.

A Member expressed the view that a similar process had taken place with the management of the pension fund, where it had been decided to set up the Local Pension Board which (in his view) had not provided any additional value

to the Council. He expressed the view that this process would impose additional bureaucracy and expense upon the Council, and therefore he opposed the introduction of an independent member.

Another member similarly opposed the introduction of an independent member and remarked that he would definitely need to be paid and would probably need to be a qualified accountant.

The Vice Chairman enquired regarding the status of the recommendations, on whether or not they would require parliamentary approval. The Head of Audit and Assurance stated that a response would be provided in due course from the commissioning minister, and this would provide clear direction going forward. It was the case that the proposal to set up the new body which was the Office of Local Audit would require statutory approval. The adoption of an independent member would not require statutory approval.

The Head of Audit and Assurance pointed out that Bromley's Audit Sub-Committee already had many experienced individuals that were Committee members. Some council's audit committees did not possess the same level of expertise and so for some of them, the addition of an independent member may be useful. The adoption of an independent member was not compulsory or something that had to be done, it was just something that could be considered. The Vice Chairman suggested that the Committee waited for a response from the Minister.

A Member drew an analogy with what happened with the Local Pension Board and stated that this had been of little value. He had argued that Local Pension Board members should be paid, but this had been rejected by Full Council. He highlighted that it had always been difficult to recruit people to the Local Pension Board, and the fact that it was an unpaid position may have been a contributory factor to this. He was under the impression that the current constitution of the Council could facilitate the adoption of an independent member to the Audit Sub-Committee if required, without any intervention from central government.

With reference to the establishment of the new audit regulatory body, a Member remarked that it would be helpful if at the same time, measures were put in place to limit the length of time taken to deal with auditing the accounts when vexatious objections were in evidence.

The matter of training for Audit Sub Committee Members was discussed, and it was the consensus that this would be a good idea. The Chairman suggested that he liaise with the Head of Audit and Assurance and with the Vice Chairman, to discuss what could be done in terms of providing training for Audit Sub-Committee members.

RESOLVED that:

- 1) The report on the Redmond Review of Local Authority Financial Reporting and External Audit be noted**

- 2) **The Chairman, Vice Chairman and the Head of Audit and Assurance would discuss what could be provided in terms of training for Audit Sub-Committee members.**

56 INTERNAL AUDIT PROGRESS REPORT

The Head of Internal Audit and Assurance explained that in the first part of the year members of the Audit Team had been seconded because of the Covid pandemic to work in other areas, this included working with the Shielding Team to support vulnerable people. As the number of Covid cases had dropped and restrictions eased, members of the Audit Team had been relieved of these duties, and so the Audit Team had commenced work on the internal audit recovery plan which had been shared with the CLT.

The Audit Team had been undertaking work supporting the processing of business support grants, and later with respect to the test and trace support payment scheme, and variations of support to business as a result of the three-tier coronavirus alert system. The role of Internal Audit was to advise on controls within the system and to perform assurance work when it was functioning. The Head of Audit and Assurance informed the Committee that two members of the Audit Team had been notified that because of the recent rise in Covid cases, they were being put on notice that it was likely they would be required to return back to resourcing the Covid Support Team. The Chairman and the Committee thanked the members of the Audit Team who had been seconded to Covid Support Work.

The Chairman highlighted Section 3.210 of the report which referred to work on local restriction grant payments that was due to take into effect, if and when the borough went into 'Tier 3'. The Chairman mentioned that because Bromley had now moved from 'Tier 3' into more of a full lockdown, would those services now be triggered. The Head of Audit and Assurance responded that the Audit Team were waiting for new guidance which was expected over the next few days.

A Member commented that he had been in contact with the Director of Finance to ask about fraud related to Covid business grants. The Member felt it necessary to draw the Committee's attention to the associated response from the Director of Finance, which was dated, 12th of October 2020. It was noted in the response that 3500 payments had been made and only seven of those were cases involving possible fraud which needed further investigation. This number was very low. It was the case that because of controls introduced by the Head of Audit and Assurance and his team, these controls were now recognised nationally as examples of best practice.

The Member had also been in contact with the Portfolio Holder for Resources and Contracts who commented that those councils that had initially been applauded in Parliament for the rapid distribution of money were now having to claw back money that had been paid in error. The Committee expressed their thanks to the Audit Team for their sterling work in this area, and for the

fact that the work was of such high quality that it had been recognised nationally.

The Head of Audit and Assurance stated that before he took up his position within the authority, much attention had been directed towards **contract governance and documentation**. He was pleased to note the positive changes that had been embedded within the organisation. Contracts had been signed and sealed, company guarantees, indemnities and performance bonds were retained securely and were current. Five recommendations had been made which were aimed at improving the control framework. One of the recommendations was to ensure that contractors had the correct type and level of insurance in place. A Member asked if departments referred contracts to the Insurance Officer at an early stage, to ensure that the correct insurance was in place. The Head of Audit and Assurance pointed out that it was clearly stated on contracts what the requirement was in terms of insurance obligations and the Procurement Section would flag up any issues or seek advice from the Insurance Officer if required. **The Audit Opinion for Contract Governance and Documentation was 'Reasonable'**.

With respect to the audit of **Debtors**, the Audit Team sought to establish if records were reliable, if separation of duties was evidenced, if debts were raised and coded in a timely manner, and that actions were being taken in line with the Council's debt recovery procedures. Many of these were evidenced, in place and working well, but some recommendations were made to improve the control framework. The Audit Team recommended that management should ensure that they were able to access and produce a report from systems relating to users who were able to access the system. Those who had access to the system should be reviewed on a regular basis to ensure continued appropriateness. It was also recommended that management should undertake a monthly spot check of 5% of write offs to ensure that the relevant details were retained on file. **The Audit Opinion for Debtors was 'Reasonable'**.

The Head of Audit and Assurance updated members on the audit of the **Pension Fund** and it was noted that controls to ensure that the pension fund was compliant with the Regulator's Code of Practice on Government and Administration of the Public Pension Scheme were working well. Also noted was that the sub-committee for Pensions and Investment held regular meetings which were attended by advisors from the Council's appointed pension fund advisors. Reports on fund manager performances were provided to the Council and presented to the quarterly meetings of the Pensions and Investments Sub-Committee. Three recommendations were made to improve the control framework and one of these related to the availability of minutes of the most recent meetings of the Pensions and Investment Sub-Committee, which had been delayed with Democratic Services. **The Audit Opinion for the audit of the pension fund was reasonable.**

Members were updated with respect to the audit of **Street Lighting**. One of the purposes of the audit was to make sure that revised service delivery arrangements were in place because of service delivery targets that could

have been affected by Covid 19. Recommendations were suggested to improve the control environment, which included the fact that the end to end procedure for delivery of the Street Light service should be formally documented, together with a review of the training needs of staff. It was brought to the attention of the Committee that the street lighting jobs were not routinely supported by before and after photographs identifying the asset and its location. It was suggested that consideration should be given to obtaining photographic evidence to support works orders. **The overall audit opinion for Street Lighting was reasonable.**

Members were briefed that the Troubled Families Claim had been signed off by Internal Audit. This was also the case for the Local Transport Revenue Block Funding (Blue Badge New Criteria Implementation) Specific Grant Determination: 2019 to 2020. It was noted that the evidence seen by Internal Audit demonstrated that the grant conditions had been met with respect to the BCF Disabled Facilities Capital Grant.

Members were briefed concerning the follow up of the **Leaving Care** priority one recommendations. Previously, Internal Audit had made six priority one recommendations with respect to Leaving Care after the audit of October 2018. Two of these recommendations had been outstanding for a while. The Head of Audit and Assurance updated the Committee by saying that sample testing had been undertaken by the Audit Team in October 2020. They found that the outstanding recommendations were now being implemented and that therefore all of the priority one recommendations could now be closed.

Members were reminded that previously a priority one recommendation was outstanding with respect to **Strategic Property** and the associated £1m income generation strategy. It was confirmed that the strategic property aspect of the existing contract was being brought back in house, and so now the outstanding recommendation relating to the income generation strategy could be closed.

The Committee received an update concerning the previously outstanding priority one recommendation with respect of **No Recourse to Public Funds**. Previously, this recommendation was related to noncompliance to contract procedure rules to procure accommodation, along with the use of a single housing provider with no contractual arrangements in place; additionally there was no oversight of cost and value for money. The Committee heard that Internal Audit were now satisfied that these issues had been resolved, and that therefore the recommendation could be considered as being fully implemented.

Members were provided with an update regarding the Priority 1 recommendation for **Starters and Leavers**. There were a number of processes that needed to be completed, including the completion of an automated form that went to IT. The idea was that a streamlined process would be in place to deal with the handing in of equipment, passes, and removal from the internal email and telephone system. It was found that previously this process had not been implemented particularly well. The

implementation of a new system had been delayed because of Covid 19. Internal Audit had conducted tests related to members of staff that had left since April. It was found that IT equipment was being returned in a satisfactory manner. However, Internal Audit found that it was still the case that a high number of people nonetheless had an active account. This matter was subsequently discussed at a meeting of the Corporate Leadership Team, and the Chief Executive instructed that Directors be notified when staff left, so that they could ensure that the relevant processes were implemented correctly. The Head of Internal Audit and Assurance informed the Committee that the Priority 1 recommendations could still not yet be closed, as full compliance had not yet been achieved. It was noted that a new IT system was being developed that would hopefully make things more consistent and achieve better compliance. It was noted that the Chief Executive was not happy that this issue had not yet been fully resolved. The Chairman expressed surprise that this matter was still ongoing.

Members also expressed dissatisfaction that the issue had not been resolved, but were pleased to note that the Chief Executive was active in seeking to resolve the matter. A Member raised a concern with respect of security passes; he felt it was worrying that security passes were not being handed in and destroyed when employees left the organisation. He expressed the view that this was a security risk and highlighted the fact that in the light of recent terrorist incidences, the UK threat level from terrorism had been raised, and that public buildings were possible targets.

The Head of Audit and Assurance responded that ideally, old security passes should be handed in and destroyed. However, it was the case that when an employee left the organisation, their security pass was deactivated, so they would no longer be able to use the pass to access the building. The Member responded by pointing out that a person could still try and tailgate someone into the premises by using an old identity card, as well as the fact that the card could be used in the High Street to obtain discount in certain stores. A discussion took place regarding the possible root causes of this problem. A Member suggested that the matter of properly dealing with staff leaving the organisation should be added to a manager's objectives. For the moment the Priority 1 objection would need to remain open.

Members heard that it was previously the case that three Priority 1 recommendations with respect to **Highways Maintenance** needed implementation. One of the recommendations had been evidenced as being implemented, and could now be closed. Measures had been put in place by management to implement the remaining two recommendations, but Internal Audit had not had time to evidence if the new processes had been implemented successfully, so for now the priority one recommendation would remain open.

Members were pleased to note that the priority one recommendation regarding **schools finance** had been implemented and could now be closed.

Regarding the audit of **procurement cards**, it was previously the case that three priority one recommendations were outstanding. It was the intention of internal audit to undertake a fresh audit of procurement cards in the near future and so these recommendations would remain until the new audit was completed.

The Head of Audit and Assurance updated the Committee regarding the audit of Saint Olave's School. It was noted that previously, there were two priority one recommendations outstanding. The school had made some progress in implementing the recommendations. However, Internal Audit were planning to audit the school later in the year and so the recommendations would remain open until then.

Members were updated with respect of **waivers** and it was noted that the number of waivers was higher than usual because of COVID-19. This was because in certain cases tendering was now not feasible. The waiver process was implemented on the basis of contract regulations and the waivers had been authorised by the Director of Finance, the Director of Corporate Services, the relevant departmental director, and in some cases also by the Portfolio Holder.

It was noted that in terms of external audit, the 2018/19 accounts had been signed, been given an unqualified opinion and published on the Bromley Council website. The accounts for 2019 to 2020 had been published on the 30th of June and were now currently being audited.

With respect to VFM (Value for Money) this opinion had not yet been provided until all the work regarding the objections to the accounts had been completed. Regular updates were now being provided by KPMG, and they hoped to finalise the work by the end of November 2020. After this, Ernst and Young would review the work and the opinions that had been put forward by KPMG. Members were glad to hear that no objections had been raised for this year, and so the cycle of objections seemed to have stopped. Members noted that the scale audit fee was originally quoted as £91K, but Ernst & Young had asked for a revised fee of £188K. The Director of Finance had asked for a meeting with the PSAA concerning this.

The Head of Audit and Assurance summarized the main changes that had taken place with respect to the **Financial Regulations 2020** and additionally the **Financial Regulations for Schools 2020**.

A Member expressed concern that the focus of audits undertaken by Internal Audit was the 'protection of cash'. He expressed concern regarding some aspects of the planning process whereby a planning officer could advise a developer and then write the associated planning report. He stated that there should be a separation of duties. It looked like a practice that was not sound. The Head of Audit and Assurance responded that this was a matter that had been looked into and that LBB were complying with relevant guidance. If there were still concerns they could be looked at. The Member replied that the process did not sit well with the public and should be changed. Another

Member stated that he agreed with these sentiments, and that the process should be changed.

RESOLVED that:

1--The Internal Audit Progress Report be noted

2--The list of internal audit reports published on the Council's website be noted

3--The External Audit update be noted

4--The Audit Sub-Committee recommend to the GP&L Committee and the Council, that the revised corporate financial regulations and financial regulations for schools be agreed.

57 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.

58 INTERNAL AUDIT FRAUD AND INVESTIGATION REPORT

The Head of Internal Audit and Assurance presented the Internal Audit Fraud, Investigation and Exempt Items Report. This report provided an outline of the Council's counter fraud work that had been undertaken in 2020/21. The report informed the Committee regarding recent activity on fraud and investigations that had taken place across the Council.

The full minutes relating to this are detailed in the Part 2 (confidential) minutes.

The Committee noted the report and made various comments on matters arising.

59 EXEMPT MINUTES OF THE MEETING HELD ON 15th JULY 2020

The Committee noted the exempt minutes of the meeting that had taken place on the 15th of July 2020. The minutes were agreed as a correct record.

The meeting ended at 9.11 pm

Report No.
CSD 21029

LONDON BOROUGH OF BROMLEY

PART 1 PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **9th March 2021**

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

Title: **MATTERS OUTSTANDING**

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

Chief Officer: Mark Bowen, Director of Resources

Ward: N/A

1. Reason for report

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

2. **RECOMMENDATION(S)**

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

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

Corporate Policy

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

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

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

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

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

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

3. COMMENTARY

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

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

Appendix 1

Issue & Date	Summary	Update and/or Action being taken.	By	Completion date if known
Minute 55 03/11/2020 Redmond Review of Local Authority Financial Reporting.	The Chairman, Vice Chairman and the Head of Audit and Assurance would discuss what could be provided in terms of training for Audit Sub-Committee members.	The Head of Internal Audit and Assurance arranged for a training webinar to be provided for Audit Sub-Committee members on 25 th February. Further training can be arranged as required.	Apex in collaboration with Mazars.	25 th Feb
Minute 56 03/11/2020 Internal Audit Progress Report	The Chairman highlighted Section 3.210 of the report which referred to work on local restriction grant payments that was due to take effect, if and when the borough went into 'Tier 3'. The Chairman mentioned that because Bromley had now moved from 'Tier 3' into more of a full lockdown, would those services now be triggered. The Head of Audit and Assurance responded that the Audit Team were waiting for new guidance which was expected over the next few days	Section 3.214 of the Internal Audit Progress report outlines the complexity and variety with respect to Business Support Grants which has developed since the previous meeting.	Head of Internal Audit & Assurance.	
Minute 56 03/11/2020 Internal Audit Progress Report	With respect to VFM (Value for Money) this opinion had not yet been provided until all the work regarding the objections to the accounts had been completed. Regular updates were now being provided by KPMG, and they hoped to finalise the work by the end of November 2020	An update regarding this matter can be found in section 3.7 of the Internal Audit Progress Report.	KPMG/Head of Audit and Assurance	

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Report No.
FSD 21013

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Tuesday 9th March 2021**

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

Title: **ANNUAL INTERNAL AUDIT PLAN 2021/22 AND INTERNAL
AUDIT CHARTER**

Contact Officer: David Hogan, Head of Audit and Assurance
Tel: 020 8313 4886 E-mail: David.hogan@bromley.gov.uk

Chief Officer: Director of Finance

Ward: (All Wards);

1. Reason for report

The Public Sector Internal Audit Standards (PSIAS) refer to the need to produce a risk based Internal Audit Plan. This should take into account the requirement to produce an annual audit opinion and report that can be used by the Council to inform the Annual Governance Statement. The annual audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. To support this, the risk based plan needs to include an appropriate and comprehensive range of work. Over the last year, in common with internal auditors of any organisation in countries significantly affected by COVID-19 Internal Audit have been constantly reassessing their work plans and staff priorities. For public sector internal auditors there is an additional responsibility. All staff in a public service body have a responsibility to work in the public interest. At a time of national crisis there is a need to act in the best interests of the health, safety and livelihoods of the public as well as supporting the operational needs of the organisation. This report sets out the approach to producing the draft audit plan in this context and invites comments from Members.

It also includes Internal Audit's Charter which has been reviewed and updated in compliance with PSIAS. The IASAB (Internal Audit Standards Advisory Board) has developed guidance to support heads of internal audit and individual internal auditors in the UK public sector in order that they can conform during the coronavirus pandemic and the Charter reflects this.

2. **RECOMMENDATION(S)**

2.1 That the 2021/22 Audit Plan is approved.

2.2 That the Internal Audit Charter is also approved.

Impact on Vulnerable Adults and Children

1. Summary of Impact: None
-

Corporate Policy

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

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £541k including Internal and External Audit, Fraud Partnership, Insurance Management and Claims handling.
 5. Source of funding: General Fund, Admin Penalties, Legal cost recoveries
-

Personnel

1. Number of staff (current and additional): 7.5 including 1 FTE Insurance and Risk Manager
 2. If from existing staff resources, number of staff hours: 2021/22 881 audit days are proposed to be spent on the audit plan, fraud and investigations, excludes RB Greenwich time.
-

Legal

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

Procurement

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

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 100, including Chief Officers, Head Teachers and Governors.
-

Ward Councillor Views

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

3. COMMENTARY

3.1 The Public Sector Internal Audit Standards 2017 define Internal Audit as follows:

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

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

3.3 At the last meeting a revised Internal Audit plan for the, now short lived, recovery period, was presented to the Committee. This was designed to be flexible and had been approved by the Corporate Leadership Team. The plan was presented with the caveats that this could be affected further by the impact of Covid 19 and indeed it was with periods of National Lockdown and the Tier system, bringing challenges of further audit staff secondment and new urgent Covid workstreams directing the use of our resources.

3.4 It is important to note that the IASAB has developed this guidance to support heads of internal audit and individual internal auditors in the UK public sector during the pandemic. It has the backing of all of the UK Relevant Internal Audit Standard Setters. All internal auditors of any organisation in countries significantly affected by COVID-19 will be reassessing their work plans and staff priorities. For public sector internal auditors there is an additional responsibility. All staff in a public service body have a responsibility to work in the public interest. At a time of national crisis there is a need to act in the best interests of the health, safety and livelihoods of the public as well as supporting the operational needs of the organisation. The IASAB recognised that as a result very few internal auditors will be operating under ‘business as usual’ conditions and staff in many teams are likely to be taking on different roles to support their organisation and the public interest.

3.5 The guidance aims to reassure heads of internal audit and the audit committee that diversion from planned audit work will not automatically mean that they do not conform. The Mission of Internal Audit is ‘To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.’ In the current circumstances internal auditors will be fulfilling their Mission in different ways than usual. However, the critical point is that they should still fulfil that Mission. Ideally, this will provide enough assurance to support audit opinions, and for the Governance Statement, although it will certainly be appropriate to draw attention to the context within which this assurance was gained and potential limitations.

3.6 It has always been the case that the Council should agree an annual Internal Audit Plan that suits its specific and unique requirements. No formula exists that can be applied to determine the minimum level of coverage. To make an impact, the Internal Audit Plan needs to focus upon the most important objectives, which invariably means the most significant or highest priority risks. Where risk management is applied effectively and comprehensively by

management, the key risks that have been identified become the focus of attention for annual internal audit planning. Up to date Risk Registers provide a useful starting point for planning comparing risks against Audit Coverage in recent year.

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

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

3.8 The Audit Plan coverage is largely aimed at:

- The Chief Executive and Corporate Leadership Team
- Members and in particular those of the Audit Sub Committee
- Other managers throughout the Council
- Governors and head teachers of maintained schools still under LB Bromley control

3.9 The Corporate Leadership Team was advised that given the unique circumstance that for the audit plan covering 2021/22, the methodology adopted was to roll forward any uncompleted audits from the Internal Audit recovery plan. The vast majority of items already rephased for 2021/22 as agreed at the November Audit Sub Committee would be included in the plan. The Corporate Leadership Team were given further opportunity to add to the plan. Some new areas of risk have been identified, and a number of tasks removed where it is not practical to complete them this year. These are predominately services areas that are not working as business as usual and where interaction with the public that they serve has been affected by the pandemic. These need time to adapt to a more normal operation before being reviewed. The aim is for the outstanding work scheduled for the 2020/21 recovery plan to be prioritised in the first quarter of the year, depending on the recovery of the economy and crucially resources being able to return to business as usual. The work which was already rolled forward to 2021/22 will then be carried out along with any new risks identified by CLT or Internal Audit's own assessment of risk. This was confirmed and approved by CLT at its meeting held on 23 February 2021. Items within the plan were originally identified by:

- Consultation with Chief Officers, the Director of Finance and other senior officers
- Review of the refreshed Corporate and Directorate risk registers.
- Review of Chartered Institute of Internal Auditor's Risk in Focus publication

- Review of Horizon Scanning completed by Mazars on national challenges and opportunities facing local government.
- Assurance requirements from Government departments.
- Review of reports and guidance from the National Cyber Security Centre, Cabinet Office and discussions with managers from ICT and Information Assurance.
- Identifying any areas that would require audit input as a result of legislation changes, government funding requirements or new areas for coverage where councils are now responsible.
- Issues arising from audits and audit investigations and specific management requests.
- Recognition of the changing structure of this organisation and the drive towards commissioning and transforming services.

3.10 The plan is attached in the document as Appendix A. In common with other departments there is uncertainty around planning. Therefore, a provision of 145 days has been included to allow us to manage staff availability for example, assuming that staff may still be seconded to or are recalled to Covid related workstreams during the year and/or additional work related to the Covid Support Grants. This will allow the plan to be reviewed on a rolling basis, providing flexibility to meet the Council's needs.

3.11 In comparison to last year we are now proposing that the audit coverage for 2021/22 will be 881 days compared to a planned 940 last year. This is clearly dependent on business as usual with staffing resources back to full capacity. If this is not the case the plan will be adjusted on a regular basis reporting regularly to the Committee.

3.12 Internal Audit Charter

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

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

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

5. POLICY IMPLICATIONS

None

6. FINANCIAL IMPLICATIONS

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

7. PERSONNEL IMPLICATIONS

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

8. LEGAL IMPLICATIONS

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

9. PROCUREMENT IMPLICATIONS

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

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



Internal Audit Plan 2021/22

DRAFT

(V2 22 Feb 2021)

Contents

- 1. Corporate 2**
- 2. Chief Executive’s 3**
- 3. People 4**
- 4. Place 5**

1. Corporate

Audit Title	Audit Code	Revised Days
National Fraud Initiative 2020, including investigating results from new data sets	Not applicable	25
Follow up and implementation of high priority (P1/P2) recommendations	Not applicable	40
Provision of training (to include the review and launch of on-line risk and controls and fraud awareness training Council-wide)	Not applicable	20
Developing and maintaining the new Sharepoint site for Audit and Risk	Not applicable	20
External liaison with other Authorities and agencies	Not applicable	10
Audit Report and Internal Audit Plan	Not applicable	10
Risk Management	Not applicable	40
Annual Governance Statement	Not applicable	10
Corporate Services – Risk and control advice	Not applicable	15
Provision for investigations and irregularities	Not applicable	60
Internal Audit External Quality Assessment	Not applicable	10
FOI & Subject Access Requests	CORP/01/2021	15

Tax arrangement risk assessment following introduction of the Criminal Finances Act	CORP/02/2021	10
Council actions to address cyber security risk	CORP/03/2021	15
Provision for further work on Business Support Grant checks/ Covid Support and assumed likely continued secondment of staff to Covid support during 1 st quarter (8	Not applicable	145
Corporate Total		445

2. Chief Executive's

Audit Title	Audit Code	Revised Days
Housing benefit (To be completed)	CEX/10/2020	10
IT Asset Register	CEX/01/2021	10
Delivery of ICT Strategy	CEX/02/2021	15
Creditors sample check of payments made/operation of controls during lockdown procedures (Scope will include authorisation levels and creditors' set up procedures)	CEX/03/2021	15
Value Added Tax	CEX/04/2021	15
Payroll - A review of controls to record and process tax	CEX/05/2021	15
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/06/2021	15

Health & Safety - Review of COVID-19 risk assessment and arrangements	CEX/07/2021	10
Chief Executive's - Risk and control advice	Not applicable	15
Chief Executive's Total		120

3. People

Audit Title	Audit Code	Revised Days
Learning disability supported living schemes (completion of)	PEO/03/2020	10
Appointeeship and Deputyship (completion of)	PEO/14/2020	10
Social Care Management System replacement (On-going risk & control advice for replacement IT system and associated procedures)	Not applicable	10
Blue Badge Scheme operation	PEO/01/2021	15
Direct Payment Pre Paid Cards Adults	PEO/02/2021	10
Troubled Families Grant Claim Certification (carried out every six months in Sept and March)	PEO/03/2021	10
Direct Payment Pre- Paid Cards Children	PEO/04/2021	10
Mental Health Service Agreements and Section 117	PEO/05/2021	15

Financial Assessments	PEO/06/2021	20
SEND Reforms	PEO/07/2021	20
Downe Primary School	PEO/08/2021	5
Marjorie McClure	PEO/09/2021	5
St Olaves Grammar School	PEO/10/2021	6
Test and Trace Grant Certification	PEO/11/2021	10
Local Authority Community Testing Funding Grant determination 2020/21 No 31/5301	PEO/12/2021	5
Pre Exposure Prophylaxis (PrEP) Funding Grant determination No 31/5179	PEO/13/2021	5
People – Risk and control advice	Not applicable	15
People Total		181

4. Place

Audit Title	Audit Code	Revised Days
Environmental Services Waste Contract Review (completion of)	PLA/05/2020	10
Contract Monitoring Environmental Services Contracts (not including the waste contract)	PLA/01/2021	15

Drainage cleaning	PLA/02/2021	15
Temporary Accommodation and Housing Rents	PLA/03/2021	15
Housing Needs - early intervention & advice	PLA/04/2021	10
Bromley Housing stock – responsibilities arising from managing housing	PLA/05/2021	10
Integration and Better Care Fund: The Disabled Facilities Capital Grant (DFG) Dtermination and Certification	PLA/06/2021	5
Planning (including pre-planning advice and CIL)	PLA/07/2021	15
Building Control	PLA/08/2021	15
Commercial and non-office owned Property	PLA/09/2021	10
Place – Risk and control advice	Not applicable	15
Place Total		135

Internal Audit Annual Plan 2021/22 (including the tasks carried forward from the Internal Audit COVID Recovery Audit Plan 2020/21)	881
TOTAL for 1 April 2021 – 31 March 2022	

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Internal Audit Charter

March 2021

Internal Audit Charter

3.1 Purpose

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

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

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

3.2 Authority

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

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

3.3 Responsibility

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

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

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

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

Counter fraud

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

Risk management

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

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

Insurance

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

Advice and consultancy

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

The impact of the Coronavirus Pandemic

It is important to note that the IASAB has developed guidance to support heads of internal audit and individual internal auditors in the UK public sector during the pandemic. It has the backing of all of the UK Relevant Internal Audit Standard Setters (RIASS). All internal auditors of any significantly affected by COVID-19 will be reassessing their work plans and staff priorities. For public sector internal auditors there is an additional responsibility. All staff in a public service body have a responsibility to work in the public interest. At a time of national crisis there is a need to act in the best interests of the health, safety and livelihoods of the public as well as supporting the operational needs of the organisation. The IASAB recognised that as a result very few internal auditors will be operating under 'business as usual' conditions and staff in many teams are likely to be taking on different roles to support their organisation and the public interest.

The guidance aims to reassure heads of internal audit and the audit committee that diversion from planned audit work will not automatically mean that they do not conform. The Mission of Internal Audit is 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.' In the current circumstances internal auditors will be fulfilling their Mission in different ways than usual. However, the critical point is that they should still fulfil that Mission. Ideally, this will provide enough assurance to support audit opinions, and for the Governance Statement, although it will certainly be appropriate to draw attention to the context within which this assurance was gained and potential limitations

Management responsibilities

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

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

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

3.4 Due professional care

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

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

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

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

3.5 Independence

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

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

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

3.6 Reporting

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

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

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

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

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

3.7 External Auditors

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

Report No.
FSD 21012

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Tuesday 9th March 2021**

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

Chief Officer: Director of Finance

Ward: (All Wards);

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
- External Audit Update

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

Impact on Vulnerable Adults and Children

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

Corporate Policy

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

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £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 were proposed to be spent on the audit plan, fraud and investigations – excludes RB Greenwich investigators' time.
-

Legal

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

Procurement

1. Summary of Procurement Implications: Some audit recommendations will have procurement implications.
-

Customer Impact

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

Ward Councillor Views

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

3. COMMENTARY

3.1 Internal Audit Progress

3.1.1 The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) or guidance. Internal audit is a key component of corporate governance within the Council. The three lines of defence model provides a simple framework for understanding the role of internal audit in the overall risk management and internal control processes of an organisation:

- First line – operational management controls
- Second line – monitoring controls
- Third line - independent assurance (Internal Audit forms the Council's third line of defence)

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

3.2 Audit Activity (Key Findings)

3.2.1 Impact of COVID-19

3.2.2 Members have been informed at the meetings held previously in the year that the COVID-19 pandemic has had a disruptive effect on Local Government and the progress the Council had made to adapt to this changing landscape. Employees are predominately working from home with new operating models being adopted to continue business.

3.2.3 In the first part 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. With falling Covid infection rates during the Summer months a "recovery Internal Audit Plan" was drafted in quarter 2 with a plan to get back to "business as usual" as soon as possible.

3.2.4 The first part of 2020/21 also saw members of staff redeployed to the Shielding Team with a commitment given that where circumstances dictated, these resources may again be deployed as part of the immediate mobilisation cohort. This was invoked with the announcement of the second national lockdown commencing 5th November and staff members remained supporting this programme since that date. There has also been a period of sick leave for one of the team during January having fallen ill with COVID and returning to work on a phased return. Therefore, our recovery plan which was viewed as aspirational and flexible to allow for emerging challenges and risks has been adversely affected. A number of audits underway have been halted and will be resumed when conditions allow.

3.2.5 In respect of meeting these challenges the IASAB (UK Public Sector Internal Audit Standards Advisory Board) has developed guidance about the Conformance with the standards during the coronavirus pandemic, to support heads of internal audit and individual internal auditors in the UK public sector. It has the backing of all of the UK Relevant Internal Audit Standard Setters (RIASS).

- 3.2.6 It states that all internal auditors of any organisation in countries significantly affected by COVID-19 will be reassessing their work plans and staff priorities. For public sector internal auditors there is an additional responsibility. All staff in a public service body have a responsibility to work in the public interest. At a time of national crisis there is a need to act in the best interests of the health, safety and livelihoods of the public as well as supporting the operational needs of the organisation.
- 3.2.7 As a result, it acknowledges that very few internal auditors will be operating under 'business as usual' conditions. At the very least they will be doing the majority of work remotely, and staff in many teams are likely to be taking on different roles to support their organisation and the public interest. The primary concern of heads of internal audit will be to support their organisation and its functions together with concern for the wellbeing of their staff. They may also be worried that the decisions they take could lead to non-conformance with UK Public Sector Internal Audit Standards.
- 3.2.8 The guidance provides reassurance to heads of internal audit and audit committees that diversion from planned audit work will not automatically mean that they do not conform. There are however some basic steps to take to safeguard the longer-term position of internal audit.
- 3.2.9 The Mission of Internal Audit is 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.' In the current circumstances internal auditors will be fulfilling their Mission in different ways than usual. However, the critical point is that they should still fulfil that Mission. Ideally, this will provide enough assurance to support audit opinions, and for the Annual Governance Statement, although it will be appropriate to draw attention to the context within which this assurance was gained and potential limitations. If it is not possible to achieve sufficient depth or coverage it will be necessary to caveat opinions and/or the Governance Statement and explain the impact of this and what will be done to retrieve the position in future. However, the key point is to protect organisational value.
- 3.2.10 Examples of ways that internal audit can protect organisational value are; helping protect the organisation's operations by helping management to find new ways of working, providing real-time advice and insight in the development of new systems and controls (for example where the organisation has to implement a new and urgent government policy), ensuring that internal audit's work remains risk-based, but continuously reassessed to reflect the significant changes and escalation of risk levels being experienced, providing real-time assurance to the "board" and audit committee on the actions and decisions being made and helping the organisation to understand and plan for longer term risks resulting from the current crisis to protect the organisation and its services going forward.
- 3.2.11 The guidance acknowledges that applying the standards is made more difficult. They state that challenges might include: capacity to carry out audit work, capacity to monitor the quality of that work, and may make it harder to manage threats to independence, diversion of operational staff to other duties: this may make it difficult to access information or obtain responses to audit queries. Homeworking of the majority of staff: depending on the effectiveness of business continuity arrangements in a home-working environment, both internal audit and operational staff may have reduced access to systems and resources. Increased levels of sickness absence/sick leave: these may exacerbate the above issues
- 3.2.12 It was noted at the last meeting that whilst it was important to have a plan there was a need to be flexible and agile to deal with issues emerging from a second wave and assurance requirements which are coming from Government relating to initiatives to support businesses, individuals and the economy. There had been and there will be more operational imperatives to deliver new activities not previously undertaken by the organisation. This included having

systems in place, with sufficient controls to deal with new support initiatives. The support work from Internal Audit has continued to include giving advice on new controls, processes, governance and financial procedures being put in place.

3.2.13 Since the last meeting of the Committee the landscape in which we operate has changed considerably for the worst including changing Tiers and National Lockdown. Questions were asked at the last meeting about the implications of moving to Tier 3. This changed further and can be best understood by looking at the impact on the requirements for Business Support Grants. Internal Auditors have contributed significantly to the success of the introduction of these new schemes.

3.2.14 Mandatory Business Grants

3.2.15 The Council's Aim: To ensure the grants are paid as quickly as possible to support struggling businesses during the Covid-19 restrictions.

3.2.16 Outcomes:

- 1) Eligible businesses access the grants from Central Government quickly
- 2) The risk of fraud and error is reduced
- 3) Our partners are enabled to work effectively with us to support the wider business community

3.2.17 On 31st October 2020 the Government announced that businesses would be provided with additional financial support as part of the government's plan for the next phase of its response to the coronavirus outbreak. Since then a number of mandatory grant schemes were introduced to help businesses that are on the Council's rating list.

3.2.18 The table below provides the restriction periods in Bromley and the applicable mandatory grants.

Period	Restrictions in LBB	Mandatory Grant Schemes
17/10/20 - 04/11/20	Tier 2	LRSB (Closed) & LRSB (Sector) (from 01/11/20)
05/11/20 - 02/12/20	National Lockdown	LRSB (Closed) Addendum
02/12/20 - 15/12/20	Tier 2	LRSB (Closed), LRSB (Sector) & One-off Christmas Support payment for pubs
16/12/20 - 19/12/20	Tier 3	LRSB (Closed), LRSB (Sector) & One-off Christmas Support payment for pubs
20/12/20 - 04/01/21	Tier 4	LRSB (Closed) Addendum Tier 4
05/01/2021 -	National Lockdown	Closed Business Lockdown Payment in addition to LRSB (Closed) Addendum

3.2.19 Closed Business Lockdown Payment & LRSB (Closed) Addendum: 5 January onwards

3.2.20 On 5th January 2021 the Chancellor announced one-off top up grants for retail, hospitality and leisure businesses worth up to £9,000 per property to help businesses through to the Spring.

- 3.2.21 This one-off grant is payable on top of the Local Restrictions Support Grant (Closed) Addendum which was to be paid for an initial period of 6 weeks from 5th January to 15th February 2021 as directed by the Government.
- 3.2.22 LRSG (Closed) Addendum Tier 4**
- 3.2.23 This grant is available to businesses required to close under Tier 4 restrictions. Contact was made with over 1,000 businesses on 8th January 2021 to inform them that payments were to be made in January.
- 3.2.24 Christmas Support Payment for ‘wet-led pubs’ (CSP)**
- 3.2.25 On 1st December 2020 the Government announced that pubs in tiers 2 and 3 who predominantly serve alcohol rather than food would receive a one-off grant of £1,000 in lieu of the Christmas trade. This is in recognition of the sacrifices they had been asked to make over the Christmas season.
- 3.2.26 This is a mandatory grant and was paid on top of other grants that the pubs may be able to receive providing they meet the eligibility criteria and did not exceed the threshold for State Aid.
- 3.2.27 LRSG (Closed) Addendum**
- 3.2.28 The Council launched the LRSG (Closed) Addendum scheme on 13th November with communication sent to businesses identified as potentially eligible for a grant payment inviting them to complete an on-line application.
- 3.2.29 LRSG (Closed)**
- 3.2.30 This grant is available for eligible businesses required to close under Tier 2 or Tier 3 restrictions such as hospitality, accommodation, entertainment venues, visitor attractions and conference centres.
- 3.2.31 Payments are due for every 14 days that the restrictions remain in place.
- 3.2.32 LRSG (Sector)**
- 3.2.33 This grant provides financial support to businesses like nightclubs that were required to close on a national basis since 23 March 2020.
- 3.2.34 It is only effective from the 1 November and is suspended during periods of national restrictions as the businesses will be entitled to receive grants under the LRSG (Closed) Addendum schemes.
- 3.2.35 Summary**
- 3.2.36 Since the start of the pandemic to the end of January over £110 million (This includes £55m retail relief and £1.7m CTS Hardship Fund) of grant funding had been distributed to support 11,500 residents and over 7,000 payments had been made to businesses who have been hardest hit by the pandemic with work continuing during the latest government restrictions.
- 3.2.37 The table below provides a breakdown of all mandatory grant payments made since the start of the pandemic. It can be seen that whilst the grants paid between April and October were higher in value, those since early November and which still continue are higher in volume. This, and the variety of terms and conditions associated with the different restrictions create more challenges for processing systems.

3.2.38 All Mandatory Business Grant Payments as at 28 January 2021

Grant Scheme	Number of Grants paid as at 28/01/2021	Amount paid
		£
Small Business Rates Grant	2,007	20,070,000
Retail Hospitality and Leisure Grant - £10k	382	3,820,000
Retail Hospitality and Leisure Grant - £25k	935	23,375,000
Total paid April 20 - Oct 20	3,324	47,265,000
Local Restrictions Support Grant - (Closed) Addendum	1,308	2,270,798
Local Restrictions Support Grant - (Closed)	321	112,754
Local Restrictions Support Grant - (Sector)	4	2,571
Christmas Support Payment for wet-led pubs	34	34,000
Local Restrictions Support Grant - (Closed) Addendum Tier 4	1,081	1,045,757
Closed Business Lockdown Payment	1,094	5,577,000
Total paid Nov 20 - Jan 21	3,842	9,042,881
Grand Total	7,166	56,307,881

3.2.39 In addition to the above the Council paid the Discretionary Business Grants. There were 178 payments totalling £2,275,000. The Council has also approved a first phase of the non-mandatory/ Additional Restrictions Grant scheme to support businesses. The Additional Restrictions Grant (ARG) is an allocation of £6,646,720 from the Ministry of Housing, Communities and Local Government (MHCLG) on behalf of Department for Business, Energy and Industrial Strategy ('BEIS'). The allocation has been paid to the Council based on a calculation of £20 per head of population within each local authority or business rate billing authority.

3.2.40 The ARG scheme is intended to take the form of discretionary grants to businesses but can also be used to fund wider business support activities.

3.2.41 Local Authorities can also determine which businesses to target and how much funding to provide those businesses. Wider business support is spending designed to support the business community but unlike grants is not direct funding to individual businesses. The Government state that this could include guidance for businesses or skills training to support their ability to trade in changed circumstances. The funding cannot be spent on Local Authority staff or management costs as it is intended that the New Burdens fund will cover such costs.

3.2.42 The local scheme includes the following support packages:

- Business hardship fund
- Business Innovation Grant
- Funding for an online Enterprise Hub
- Top-up grants for businesses eligible for the Local Restrictions Support Grant (Closed) Addendum Tier 4

- Special scheme providing additional funding to independent public houses and social/sports clubs

3.2.43 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. Internal Audit have been working with Managers from Planning and Regeneration, Exchequers Services and Liberata to ensure that controls within the system are proportionate and effective.

3.2.44 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 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.

3.2.45 Significant work has continued to take place on the original 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. We have continued to quality check the returns and have carried out our post payment assurance work on the 3 original schemes, the results of two of these are included later in the report. A report on the Discretionary Business Grant Scheme will be reported at the next meeting of the Committee.

3.2.46 The latest list of outstanding Priority 1 recommendations is shown in Appendix A. There has been some movement in Priority 1 recommendations brought forward and these are detailed below.

3.2.47 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.

3.2.48 Review of Purchasing Cards

Audit opinion	Reasonable
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3.2.49 The overall objective of the audit was to review the governance arrangements for Purchasing Cards to ensure that the controls in place are operating satisfactorily to mitigate risks. It also assessed the delivery of services following any new or revised controls and processes put in place as a direct result of COVID-19.

3.2.50 Controls noted to be in place and working effectively included the new card holders were provided with the card holders' guide and the guidance for self-registration when they collected their purchasing cards, and electronic copies of the signed purchasing cards request forms and agreement forms for the new cardholders were retained. Our sample testing did not identify any purchases that were split to avoid exceeding spending limits.

- 3.2.51 We found that controls were either not in place or not working effectively in the following areas:
- 3.2.52 Adequate controls are not in place for managing the credit limits and single transaction limits on the purchasing cards, and temporary changes made to purchasing limits were not reinstated after the period specified in the change request had elapsed.
- 3.2.53 We noticed an active direct debit payment for Amazon Prime membership which was no longer needed, was set up by a cardholder who was on long term sick leave. The managers contacted to resolve this issue did not know how to cancel the direct debit payments or any other recurring payments which are no longer required if the cardholder is away on long term leave or has left LBB.
- 3.2.54 We identified that leavers' purchasing cards were not deactivated on the purchasing card system when the cardholder leaves LBB.
- 3.2.55 The recommendations made in the previous audit report finalised on 14/01/2020 were also followed up as part of this review. There were three priority one recommendations of which one recommendation has been implemented and implementation of two recommendations is in progress. The outstanding actions relating to the previous priority one findings have been re-prioritised and re-recommended as priority 2s. There were seven priority 2 recommendations which were followed up of which implementation of four is in progress and three are implemented.

	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

3.2.56 Review of Payroll

Audit opinion	Reasonable
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- 3.2.57 The overall objective of the audit was to review the arrangements in place for the claiming of expenses, allowances and overtime.
- 3.2.58 Controls noted to be in place and working well included instructions for employees making claims via the online HR and Payroll Self Service system.
- 3.2.59 Claims for expenses, allowances and overtime claims examined in our sample had been authorised timely by an appropriate manager, with segregation of duties in place. Claims had been paid promptly and recorded correctly to the relevant cost code. Supporting documentation was available to support payments made for the majority of claims which we examined.
- 3.2.60 Four recommendations have been made to improve the control framework. These relate to the availability of policies, procedures and instructions on expenses, overtime and

allowances and revising the relocation policy to include the categories and levels of expenditure which can be reclaimed by new employees relocating from other countries. Management have accepted the recommendations.

3.2.61 There is no deadline set for employees to submit claims after incurring them and employees should be reminded to ensure that supporting evidence for journeys made is submitted to their manager. Currently, there are no “second line” arrangements in place to identify and analyse any substantial amounts of overtime, mileage or expenses claimed by an employee over a given period.

3.2.62 Our testing identified that on two occasions an expense payment had been made incorrectly to an officer who was not entitled to it. The payment, totalling £105.78, is currently being recovered. It occurred due to an incorrect employee number being entered on a spreadsheet of claims before it was submitted to the payroll contractor. Internal checks by the payroll contractor failed to identify and correct this. There is a need to address the risks associated with submitting spreadsheets of claim information and manually completed claim forms to the payroll contractor for payment. We have made a recommendation accordingly.

	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	0	0	0

3.2.63 Review of Small Business Support Grants

Audit opinion	Substantial
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3.2.64 Our overall objective was to review the effectiveness of the controls operated by Finance Directorate and the Council’s Exchequer Contractor for the payment of small business grants. These had been made available to businesses by the government in response to COVID-19.

3.2.65 Prior to the receipt of grant applications from businesses, we worked with the Finance Directorate and the Council’s Exchequer Contractor to advise on risks and controls to mitigate fraudulent payments and prevent and detect instances of error and non-compliance.

3.2.66 Controls noted to be in place and working well included the application of pre-payment checks derived from the Government’s Counter Fraud Measures Toolkit and the use of information obtained from the National Anti-Fraud Network about corporate impersonation frauds attempted elsewhere.

3.2.67 Where possible, the Council’s business rates database was used to confirm application details. Where this was not possible, ‘open source’ data checks were carried out to verify the details of applicants prior to payment.

3.2.68 If any further information was required from the applicant to verify the authenticity of their business, it was requested prior to payment. In complex or disputed cases, advice was

sought from the Assistant Director of Exchequer Services, Internal Audit or from counter fraud colleagues at the Royal Borough of Greenwich.

- 3.2.69 Post-payment checks on a sample of payments were carried out using the Government's Counter Fraud Function tool 'Spotlight' to enable us to identify if any companies were dissolved or in liquidation on 11 March 2020, had overdue accounts or a history of insolvency and/or a different registered company number and address from that stated in their application. Open source data was checked where the business was not registered at Companies House or was a sole trader.
- 3.2.70 Where any instances of suspected fraud, error or non-compliance came to light, they were referred for investigation to Finance Directorate, the Council's Exchequer Contractor or counter fraud colleagues at the Royal Borough of Greenwich.
- 3.2.71 A fraud risk assessment, post payment assurance plan and additional testing has confirmed that out of 2007 payments, totalling £20,070,000, there have been a very low number made (1%) which have resulted in fraud, error or non-compliance with the scheme.
- 3.2.72 No recommendations were made to improve controls in the event of other business grant schemes being introduced in future. Consequently, other grant schemes for businesses have been put in place in recent months by government and we have reproduced the pre-payment and post-payment controls for those.

3.2.73 Review of Retail Leisure and Hospitality Support Grants

Audit opinion	Substantial
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- 3.2.74 Our overall objective was to review the effectiveness of the controls operated by Finance Directorate and the Council's Exchequer Contractor for the payment of retail, hospitality and leisure grants. These had been made available to businesses by the government in response to COVID-19 and eligible businesses could claim £25,000 or £10,000, depending on their rateable value.
- 3.2.75 Prior to the receipt of grant applications from businesses, we worked with Finance Directorate and the Council's Exchequer Contractor to advise on risks and controls to mitigate fraudulent payments and prevent and detect instances of error and non-compliance.
- 3.2.76 Controls noted to be in place and working well included the application of pre-payment checks derived from the Government's Counter Fraud Measures Toolkit and the use of information obtained from the National Anti-Fraud Network about corporate impersonation frauds attempted elsewhere.
- 3.2.77 Where possible, the Council's business rates database was used to confirm application details. Where this was not possible, 'open source' data checks were carried out to verify the details of applicants prior to payment.
- 3.2.78 If any further information was required from the applicant to verify the authenticity of their business, it was requested prior to payment. In complex or disputed cases, advice was sought from the Assistant Director of Exchequer Services, Internal Audit or from counter fraud colleagues at the Royal Borough of Greenwich.
- 3.2.79 Post-payment checks on a sample of payments were carried out using the Government's Counter Fraud Function tool 'Spotlight' to enable us to identify if any companies were dissolved or in liquidation on 11 March 2020, had overdue accounts or a history of insolvency and/or a different registered company number and address from that stated in their

application. Open source data was checked where the business was not registered at Companies House or was a sole trader.

- 3.2.80 Where any instances of suspected fraud, error or non-compliance came to light, they were referred for investigation to Finance Directorate, the Council's Exchequer Contractor or counter fraud colleagues at the Royal Borough of Greenwich.
- 3.2.81 A fraud risk assessment, post payment assurance plan and additional testing carried out has confirmed that out of 1317 payments totalling £27,195,000, there have been a very low number made (1%) which have resulted in fraud, error or non-compliance with the scheme. It did identify that a grant claim for £25,000 had been assessed as eligible but had not subsequently been paid. This matter is being addressed currently by Liberata and Exchequer Services management.
- 3.2.82 No recommendations were made to improve controls in the event of other business grant schemes being introduced in future. Consequently, other grant schemes for businesses have been put in place in recent months by government and we have reproduced the pre-payment and post-payment controls for those.
- 3.2.83 Local Authority Community Testing Funding Grant Determination 2020/21 No: 31/5301 (Revenue Ringfenced)**

Audit opinion	The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met for expenditure as at 26 th January 2021
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- 3.2.84 On 11th January 2021, the Department of Health and Social Care (DHSC) advised by E mail of the Local Authority Revenue Ringfenced Community Testing Funding Grant Determination (2020/21) No: [31/5301]. Annex A of the document confirmed that Bromley's allocation was £228,900 (first payment) and £457,800 (second payment). The purpose of grant was to 'provide support to the Local Authority towards expenditure lawfully incurred or to be incurred in relation to Community Testing in response to the COVID-19 outbreak'.
- 3.2.85 On 26th January 2021, the Head of Finance, Children, Education and Families advised that he had been notified of a requirement to submit a declaration, signed by the Chief Internal Auditor and the Chief Executive to the DHSC within 48 hours confirming that:-
- 3.2.86 "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 Local Authority Test and Trace Service Support Grant Determination 2020/21: No 31/5301 have been complied with as detailed in the Grant Determination letter dated 30 December 2020".
- 3.2.87 The Borough's first Covid-19 Rapid Test Unit opened on 4th January 2021 with a second now in operation. At the stage of review, being just three full weeks since the first unit went 'live', £40k had been spent. Based on discussions with the Head of Finance, Children, Education and Families, and a review of the records held, Internal Audit has gained appropriate assurance that the conditions of the grant determination have been met for this sum.
- 3.2.88 It should be noted that the timescale of 48 hours set out by the DHSC was met, with the testing completed within one working day. Further testing will be carried out at the end of the scheme, or as directed by the DHSC to ensure continued compliance with the grant conditions.

3.3 Priority 1 Follow Up

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

3.3.2 Starters and Leavers – Priority 1 update

- 3.3.3 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.
- 3.3.4 Previous updates to this Committee reported that the IT solution would be the online form to be held on SharePoint Online. This would allow managers to update the leavers information once and the information 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.
- 3.3.5 The Head of Information Management confirmed that as at the end of January 2021, the rollout of the new movement form would be the end of April as part of the Intranet launch. The forms were ready to be uploaded with mandatory fields to be set. Training would need to be scheduled and IT were liaising with BT to develop service functions, access, trouble shooting and support. Managers are responsible for the leavers process and compliance to agreed procedures set out in the Managers toolkit. In summary this is to notify HR, complete the workforce amendment form to disable access to the system and collect allocated LBB equipment and security passes.
- 3.3.6 The testing for the November Committee identified that for the sample of 10 agency and 10 LBB officers compliance was poor; system access had not been disabled and although physical items such as laptops had been collected the recovery of ID passes had not been actioned in all cases.
- 3.3.7 At CLT on the 20th October 2020, 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. CLT were advised on the 26th January 2021 that to ensure that the leavers process continued to be followed and to report to this Committee, Internal Audit would repeat the testing on a sample of leavers. The Head of Audit and Assurance presented an update to the Managers Briefing on the 4th February 2021 to remind Managers of their ongoing responsibility to comply with the agreed leavers procedure and provided the link to the leaver's procedure on One Bromley.
- 3.3.8 To evidence compliance for recent leavers, HR were asked to generate a report of agency and LBB officers with a leaving date of December 2020 and January 2021. A sample of 10 leavers (5 agency from a total of 28 and 5 LBB from a total of 23) was selected for audit testing. The BT Operational Team confirmed the system status for each officer as at 10.2.21:
- 3/5 agency staff still had an active account, 2/5 disabled
 - 2/5 LBB officers still had an active account, 2/5 disabled and 1/5 the officer did not have system access.
 - As before the contact with each manager evidenced better results for the collection of physical items, laptops mobile phones and equipment.
 - For 3/5 agency staff, LBB equipment had been recovered; 1/5 had not been issued with LBB equipment and for 1/5 the equipment had not been recovered but there were

complications with this example and now identified the Assistant Director would be initiating recovery immediately.

- For 4/5 LBB officers, LBB equipment had been recovered; 1/5 had not been issued with LBB equipment.
- The LBB ID card allows access to Council offices and facilitates use of MFD (printers/photocopiers) but the ID card also identifies an individual as an officer of the Council. If the ID card was lost or misappropriated it could be used by unauthorised personnel and misrepresentation.
- For 2/5 agency staff the ID card had been recovered and secured; 1/5 ID card not issued (the officer worked remotely in a temporary administrative role); 1/5 the manager could not confirm collection and for 1/5 as with LBB equipment, the recovery was outstanding.
- For 1/5 LBB officers the manager could not confirm recovery of the ID card; 4/5 officers the ID card had been collected and secured.

3.3.9 In all cases the managers contacted would be taking immediate remedial action if required.

3.3.10 Given the results of our testing and the imminent roll out of the SharePoint Online movement form, the Priority 1 recommendation relating to leavers will remain open. The success of the new procedures, adoption of the online form and notification to all relevant departments when an officer leaves the Authority will be evaluated and reported to Members at the next Committee. It should be noted that it will remain the responsibility of management to update the online form in a timely manner and action recovery of all LBB equipment and ID cards.

3.3.11 The audit testing that has been undertaken for this and previous updates has been to evidence the completion of the workforce amendment, disablement of active accounts on the system, collection of LBB equipment and staff ID badges. However during the fieldwork, we have identified other issues and risks that need to be considered. An audit report to review these supplementary risks and to collate the findings, some of which are already available, will be produced for management to consider. This report will be completed for the next meeting of this Committee.

3.3.12 Highways Maintenance – Priority 1 update

3.3.13 At the previous meeting Members were informed that the recommendation relating to the selection of schemes had been implemented. The two remaining priority 1 recommendations related to the management and delivery of agreed highways scheme and secondly the controls on the widening and reconstruction of vehicle crossovers as part of footway schemes.

3.3.14 To review progress to implement for the update to the November committee, two schemes were selected for audit testing to evidence compliance to agreed procedures and complete probity checks on the order, satisfactory completion of work and payment. Although testing was completed, including site visits to both roads sampled, there was insufficient documentation available on the system to satisfactorily support our testing. Management advised that there had been an issue with the Confirm system and the Highways Inspector unable to upload the information. Management provided the manual notes to support checking work undertaken.

3.3.15 The original priority 1 recommendation related to the need for the Highways Team to write procedure notes to support this area of service delivery. Internal Audit acknowledged that these procedure notes were produced after the audit report was finalised but stipulated that the implementation of the priority 1 recommendations would be need to be assessed after the procedures had been embedded for six months.

- 3.3.16 After the November Committee meeting, three additional schemes were selected for audit testing. The inspection records provided by management have been checked to ensure compliance to agreed procedures and support payment of invoices submitted by the contractor. This testing has shown that there are still concerns about the quality and completeness of information available to support payment of these Highways schemes. Management have been asked to provide the outstanding information for the sample and to evidence what records they have accessed to authorise payment. The original finding had identified that the authorisation for payment was not supported by adequate inspections records as demanded by Financial Regulations
- 3.3.17 Management will need to ensure that the upload of site visit notes is consistent, complete and in a format that allows the authorising officer to access the information needed to complete checks prior to payment,
- 3.3.18 At the time of writing this report management are looking to provide the outstanding information required by audit for the sample schemes. The information requested would evidence compliance to Financial Regulations with regard to the payment of invoices and adherence to their own agreed procedures. The two priority 1 recommendations will therefore remain open until management supply the information requested and audit testing can be satisfactorily completed to give assurance that the original findings have been remedied.

3.3.19 Procurement Cards – Priority 1 update

- 3.3.20 There are no outstanding Priority One recommendations At the previous meeting Members were advised that the audit review of Procurement Cards finalised in January 2020 identified three priority 1 recommendations. The recommendations related to the responsibility and accountability of those teams and individuals involved in the Procurement Card process system and the need for clarification and agreement. Secondly, the timely processing and approval of outstanding Procurement Card transactions and thirdly the correct treatment of VAT and supporting documentation.
- 3.3.21 Members were also advised we would be undertaking another Procurement Card audit review which would include a follow up of these priority 1 findings. This audit has been completed and summarised at paragraph 3.2.55 in this report.
- 3.3.22 The testing specific to the outstanding priority 1 recommendations has shown that there has been progress to implement.
- 3.3.23 The Assistant Director Governance and Contracts has drafted a Responsibility Assignment Matrix to define the respective roles and responsibilities. The Council's contractor for Exchequer services have been instructed to complete independent checks and to issue reports, regularly generated, to cardholders and approvers. The remedial action taken to date and evidenced by audit testing considers this recommendation to be partially implemented.
- 3.3.24 The audit testing identified that there were transactions in the sample not processed and authorised in a timely manner. It was agreed that the Exchequer service contractor would run six weekly reports to identify outstanding transactions and unauthorised transactions. These reports were issued to cardholders and approvers and if the transactions were not cleared within one week the card would be suspended. Bromley Exchequer Services have decided not to action this suspension during the current crisis to ensure continuity of service delivery but will be reinstated when circumstances allow. Although testing identified outstanding transactions there are processes to identify, notify and remind all Procurement Card holders and authorisers of their responsibility to process their transactions in a timely manner; the recommendation is therefore considered implemented.

- 3.3.25 The audit testing identified minor issues with regard to claiming VAT without the supporting VAT invoice. The Council's contractor for Exchequer services should be running reports to identify such transactions and notifying the card holder but there was no evidence that this has been completed. The LBB client officer should agree with the contractor the timescale and frequency of VAT monitoring checks. Cardholders are reminded monthly of their responsibility to account for VAT for their Procurement Card transactions. The recommendation relating to VAT is considered partially implemented.
- 3.3.26 To summarise, progress has been evidenced to fully implement one priority 1 recommendation and partially implement the other two. The priority rating has been reviewed for these two partially implemented recommendations and are now considered to be priority 2 recommendations. All three recommendations will be removed from the priority I list.
- 3.3.27 St Olaves School (Priority 1 update)**
- 3.3.28 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 for one specific project. 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.
- 3.3.29 The planned audit of the school has started and will follow up all previous recommendations raised in the February 2020. The audit is being completed remotely with scanned documents being sent to the auditor for the sample testing. Similarly, the school will provide scanned evidence to support declared implementation of audit recommendations. The pre audit questionnaire has been revised to include any issues related to COVID pressures and temporary changes to procedures. The returned questionnaire has been signed off by the Headteacher and the Chair of Governors to certify the information returned, independent to the Finance function. Progress in January was impeded by the long-term absence of the assigned auditor however the work plan can now be completed.
- 3.3.30 To provide an update for the two priority 1 recommendations we have reviewed the progress to date and information submitted so far. It was previously acknowledged that the school have had significant challenges since the audit report was finalised in February 2020; COVID19 and the impact of lockdown then reopening the school to be COVID compliant. The Head of Finance position has now been successfully filled and will strengthen the finance function, allow business continuity and separate strategic and operational roles to create internal challenge and scrutiny.
- 3.3.31 For the priority 1 relating to expenditure, the school have now evidenced procedures for the expenditure process and confirmed that procurement advice has been sought, when required, for the large one-off projects. At this point in the audit follow up review, progress to implement is adequate to allow this recommendation to be closed.
- 3.3.32 For the priority 1 relating to financial management 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, the brief overdrawn incident in October 2019 was an isolated event and the drawdown of funds from the Foundation has been formalised with an e-mail trail to support requests; The minutes of the Finance Committee for the 21st October 2020 evidence that the Management Accounts, for the period up to 30th September, were supported by the detailed schedules and the summary, as requested by Internal Audit. The Head of Finance presented a

comprehensive Management Reporting document to the Finance Committee on the 10th February 2021. This document clearly sets out financial priorities for 2021, analyses the latest Income & Expenditure report, updates on the four capital projects, shows the current Voluntary Fund balances, shares the objective to integrate school strategy and long term financial planning, reports on current reserves and funding streams, fund raising initiatives and the school's response to the Internal Audit recommendations. The recommendation relating to financial management is now implemented and can be closed.

3.3.33 A summary of the follow up audit review of St Olaves will be submitted to the next meeting of this Committee. A full audit, hopefully on site, will be scheduled for the Autumn Term 2021.

3.3.34 Looked after Children – Priority 1 Update

3.3.35 At the meeting in July 2020 Members were informed that the audit review of Looked After Children had identified one priority 1 recommendation relating to the contractual arrangements for placements.

3.3.36 Leaving Care 18 plus Placements were found not to have a valid contract in place demonstrating that Financial Regulations and Contract Procedure Rules were not adhered to. A review of all placements was required to ensure that the relevant contractual documentation is in place. These should be held securely. 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.

3.3.37 In May 2020 management advised that:-

3.3.38 *'this was a significant gap in LCT 18+ service. Previous Group Manager and Placement Manager had not put this in place. New placement officer and Group Manager met with commissioning in March 2020 and are using templates for contracts in place for under 18s to be consistent across Bromley. Contracts are now in place for all new placements being made from beginning of April and placement officer is working through backlog of all existing placements to write to them and establish a contract.*

3.3.39 *Reporting on CareFirst has also been changed to bring placement referral and service agreement on to CareFirst so we can run reports. Support hours and accommodation costs will also be split on CareFirst so we can track changes more effectively'.*

3.3.40 The priority 1 recommendation was not reviewed for the November 2020 Committee as the finalised report date was within the six-month tolerance for implementation.

3.3.41 Audit testing in January and February 2021 identified that out of a total of 76 placements the department are awaiting responses from 28 suppliers (13 are historic, 11 are waiting to be scanned onto CareStore or waiting the return of the signed contract and 4 are either new contracts that are with the supplier or cases that moved over from another team and are in progress) but 48 have been satisfactorily actioned. Management advised that:-

3.3.42 *'the vast majority of historic contracts have now been received back as well as those for any new placements made. The process of getting them all uploaded has been more convoluted than it might have been, due to the working from home and providers returning the contracts in different ways, but our Business Support Officer is working through getting all these on the system'.*

3.3.43 Audit testing on a sample of ten cases, all of which were at different stages of completion, showed that satisfactory progress has been made. We consider that sufficient action has been taken by management to progress implementation and close this Priority 1 recommendation.

3.3.44 **Follow up of Pre-Planning Advice issues raised at the last meeting.**

- 3.3.45 At the last meeting a Member expressed concern regarding some aspects of the planning process whereby a planning officer could give pre planning advice to a developer and then write the associated planning report. He stated that there should be a separation of duties. It looked like a practice that was not sound. The Head of Audit and Assurance responded that this was a matter that had been looked into and that LBB were complying with relevant guidance. If there were still concerns, they could be looked at. The Member replied that the process did not sit well with the public and should be changed. Another Member stated that he agreed with these sentiments, and that the process should be changed.
- 3.3.46 The council offers a pre-planning application advice service for planning applications which can help applicants to prepare a proposal for the best chance of success and also advise on revisions following determination of applications. Applicants must complete a pre-planning application advice form and submit along with required drawings / documents (set out on each application form) and appropriate fee.
- 3.3.47 We followed up the Member concerns with the Assistant Director, Planning & Building Control, and sought to understand the processes and rationale around it. The Planning Process involves judgement calls and in such situations, there is always the possibility of disagreement and differing points of view. As a starting point all written advice, delegated and committee reports, are authored by one Planner and checked and signed off by at least one other senior member of the team. There is no formally written output from the team that is only carried out by a single person.
- 3.3.48 Planners are qualified professionals and the Royal Town Planning Institute provides a clear framework for professional conduct which members abide by.
- 3.3.49 We understand that pre-application advice and subsequent applications are commonly (in other Local Planning Authorities as well as Bromley) dealt with by the same Planner. There have been cases where matters have come to light at application stage which undermine advice given at pre-application stage. Since pre-application advice is given on a without prejudice basis, and without the benefit of the full consultation process of a full application that is not an issue, and there have been cases where this has resulted in refusal of an application.
- 3.3.50 It should also clarify that the Council does not make a profit from pre-application advice fees, these by virtue of the legislation only cover the cost of providing the service. Planning application fees are set nationally and generally do not cover the cost of providing the service overall. This highlights that there is no gain from the Council encouraging take up of advice for any reason other than to assist with the overall planning application process as set out in government advice – see <https://www.gov.uk/guidance/before-submitting-an-application>
- 3.3.51 The planning application team operate on a very tight workload and in addition the Assistant Director's view that there is no need for further division of responsibilities, he considers that this would also lead to inefficiencies which might ultimately require additional resource.
- 3.3.52 There is an appreciation that there is concern around secrecy with pre-application advice, however this is shared where possible but the Council offers the service on a private basis to encourage uptake as per government advice around front loading the application process. Many of those taking up the pre-application service do so because they are considering investing in a site and want to understand the Planning Department's views on the possibility of development. They often do not wish this interest to be made public or for others to benefit from advice that they have paid for, in particular if there may be a competitive bidding process for a site.

- 3.3.53 Planning are encouraging those seeking pre-application for major schemes to carry out presentations to Members and these are now taking place.
- 3.3.54 The Assistant Director has no concerns about the current process and to alter it is likely to have resource implications since the Planner dealing with an application would have to do part of the work already done by someone else to get up to speed with the site, proposals and context. Furthermore, there is a strong view that the professional ethics expected of Planners more that safeguard against this untoward behaviour which is sometimes the subject of speculation. In January 2018 Internal Audit reported on the Planning process. The Internal Audit covered the planning application process with particular emphasis on pre-planning application advice and the subsequent approval process. A substantial assurance opinion was given. We will also consider this further in our Planning audit which features in next year's audit plan.

3.4 Publication of Internal Audit Reports

- 3.4.1 Since the last cycle of this Committee, we have published 5 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
Review of Purchasing Cards	Reasonable
Review of Payroll	Reasonable
Review of Small Business Support Grants	Substantial
Review of Retail, Hospitality and Leisure Support Grants	Substantial
Local Authority Community Testing Funding Grant Determination 2020/21 No: 31/5301 (Revenue Ringfenced)	The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met for expenditure as at 26 th January 2021

- 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
- Issued awareness guidance on Financial Regulations via the Communications Team and presented a session to Manager's Briefing.

3.5 External Quality Assessment

3.5.1 It is a requirement of the Public Sector Internal Audit Standards to have an EQA carried out at least every 5 years and it can be done either by peer review, or you can pay for an outside organisation to do it. The London Audit Group have organised a system of Peer Reviews with safeguards make it as independent as possible such as the reviewer and reviewee councils are not neighbours and the audit teams don't have a regular relationship. This ensures that the reviewer is qualified to undertake the review and understands the business area within which the authority operates. The last review of Bromley was in March 2016 and so is now due. In July 2019 the Head of Audit & Assurance confirmed to the organisers that we would potentially like a review in Quarter 4 of 2020/21 and would be prepared to carry out a review of another authority. In February of 2020 preliminary confirmation was sought for LB Bromley to undertake a review of another authority and time was allocated in the Audit Plan for the Peer Review of Bromley. However, the National lockdown and the effects of the pandemic have put any arrangements on hold.

3.5.2 In early February 21 we were contacted by the London Audit Group Chair who asked if authorities were interested in having their EQA review carried out in the next 1-3 years to complete an expression of interest by the end of February so that they can match those looking to be reviewed with those who are willing to undertake a review. EQAs will be on random rotation, no authority will EQA each other, nor will there be any actual or perceived conflicts of interest. The matter was discussed with the Director of Finance. It was agreed that this would be the preferred method of undertaking the EQA, however given the impact of the pandemic and that services, including Internal Audit were not being conducted as business as usual yet, this was not the best time for it to be undertaken and that a request for it to be carried out in the third or fourth quarter of 2021/22 was appropriate, depending on how recovery from the pandemic was progressing. We understand other authorities are also seeking to defer.

3.6 Risk Management

- 3.6.1 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.
- 3.6.2 Since the last meeting of the Audit Sub Committee on 3rd November 2020, the risk registers have been reviewed by the Corporate Risk Management Group at their meeting of 25th January, and the Corporate Leadership Team have reviewed the Corporate Risk Register on 26th January. The latest iterations will be presented to Audit Sub Committee at the June 2020 meeting and will accompany the Annual Governance Statement.

3.7 External Audit Update

3.7.1 Progress and Update on the 2019/20 accounts:

The 2019/20 draft accounts were published (and made available for public inspection) on 30th June. The audit of the main accounts and pension fund started during August. Whilst good progress has been made in most areas, there have been delays in the provision of information to EY and in responding to auditor queries. Some delays have occurred due to the pandemic, with officers working off site and documentation not being readily accessible in an electronic format (in some cases paper documents and records required bulk scanning). Additionally, as acknowledged by EY, much larger sample sizes were selected for audit review which has resulted in an increased workload for officers.

EY's audit fieldwork has also identified mis-statements and other issues. Most significantly, matters in relation to Property, Plant & Equipment and Investment Properties where further information is required for EY to properly conclude its audit work. Moreover, an error concerning depreciation on Land & Buildings will require an adjustment in the 2019/20 accounts and also a prior period adjustment; this will require significant work by officers to rectify and owing to this and other outstanding matters, it has been agreed with EY that a revised timetable for completion of the audit should be put in place to allow revised depreciation calculations to take place and for information in response to all other queries to be collated and provided to EY. Both parties are now working towards finalisation and sign-off during March 2021.

3.7.2 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, officers have spoken to KPMG and meetings are being held to progress the review of this matter. Once KPMG has concluded its work, it will report the outcome to officers. There are four potential options available to KPMG:

- Considering if there is an unlawful item of account that they need to ask the court to consider
- Issuing a report in the public interest on this matter
- Reporting on this matter with recommendations for Council action (these could be statutory recommendations under the Local Audit and Accountability Act)
- Taking no action and dismissing the objection

Subsequently, EY will consider the objection received in relation to the 2018/19 accounts, informed by the conclusions that KPMG has made.

3.7.3 Audit Fees

Whilst our external auditor, EY, has produced an audit plan for 2019/20, 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 review EY’s proposed fee and it is hoped this will lead to agreement on a revised figure.

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 content of this report includes planned audits that will have implications for procurement relating to contract procedure rules, financial regulations and Value for Money issues.

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

Priority 1 list - March 2021

Appendix A

Title	Opinion	No. of Priority Ones	Details of original Recommendation	Responsible Officer	Lead Officer	Comments
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 March 2021 See Progress Report
Review of Highways Maintenance	Limited	3 20/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 March 2021 See Progress Report

Title	Opinion	No. of Priority Ones	Details of original Recommendation	Responsible Officer	Lead Officer	Comments
Review of Controls to Mitigate the Risk of ICT System Failures	Limited	1	<p>Management should ensure that :-</p> <ul style="list-style-type: none"> -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	<p>Head of Information System Services</p> <p>Senior Property Manager</p>	<p>July 2020 See Part II Report</p> <p>November 2020 See Part II Report</p> <p>March 2021 See Part II Report</p>

Recommendations have been implemented :

see Progress Report
1 - See Progress Report
3 school - see Progress Report

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By virtue of paragraph(s) 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

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