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DATE: 18 February 2020

AUDIT SUB-COMMITTEE INFORMATION BRIEFING

Meeting to be held on Wednesday 26 February 2020

QUESTIONS ON THE INFORMATION BRIEFING

The Briefing comprises:

- 1 REVIEW OF THE TRANSFORMATION STRATEGY** (Pages 3 - 10)
- 2 REVIEW OF COUNCIL TAX 2019-2020** (Pages 11 - 24)
- 3 REVIEW OF DEFERRED PAYMENTS** (Pages 25 - 42)
- 4 REVIEW OF BUSINESS CONTINUITY AND EMERGENCY PLANNING** (Pages 43 - 54)
- 5 REVIEW OF PROCUREMENT CARDS** (Pages 55 - 74)
- 6 TAX AND NATIONAL INSURANCE CONTRIBUTION ISSUES ARISING FROM THE AUDIT OF PROCUREMENT CARDS** (Pages 75 - 86)
- 7 REVIEW OF SUBSTANCE MIS-USE SERVICES** (Pages 87 - 94)
- 8 MAIN ACCOUNTING SYSTEM AND GENERAL LEDGER 2019/20** (Pages 95 - 104)
- 9 SCHOOLS FINANCE TEAM (SFT)** (Pages 105 - 114)
- 10 REVIEW OF INSURANCE 2019/20** (Pages 115 - 124)

Members and Co-opted Members have been provided with advanced copies of the briefing via email. The briefing is also available on the Council website at the following link:

<http://cds.bromley.gov.uk/ieListMeetings.aspx?CId=559&Year=0>

Printed copies of the briefing are available upon request by contacting Steve Wood on 020 8313 4316 or by e-mail at stephen.wood@bromley.gov.uk.

Copies of the documents referred to above can be obtained from
www.bromley.gov.uk/meetings



**FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT**

REVIEW OF THE TRANSFORMATION STRATEGY

Issued to: Ade Adetosoye OBE, Chief Executive
Naheed Chaudhry, Assistant Director, Performance & Corporate Transformation
Moushumi Bhadra, Head of Policy, Projects and Programmes
Emma Pearce, Head of Corporate Programmes and Projects
Peter Turner, Director of Finance (Final Report only)

Prepared by: Assistant Manager, (Audit contractor on behalf of London Borough of Bromley) and Manager (Audit contractor on behalf of London Borough of Bromley)

Reviewed by: Head of Audit & Assurance

Date of Issue: 9th January 2020

Report No.: CORP/01/2019/AU

REVIEW OF THE TRANSFORMATION STRATEGY

INTRODUCTION

1. This report sets out the results of our audit of the governance, management and implementation of the Transformation Strategy of the Council. The audit was carried out as part of the work specified in the 2019-20 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council’s exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.

2. The Council has embarked on a significant transformation programme which involves significant challenges due to the required pace and volume of work through the transformation work programmes that will need to run concurrently in order to deliver on the scale of savings needed for 2022/23. The Council’s budget pressures over the next four years are also unprecedented. It is therefore essential to create the capability and the capacity within the organisation to drive and support departments with robust delivery methodology and strong governance. A Transformation Board has therefore has been established. To ensure that the transformation programme is effective and covers all key services areas, there are also six key work streams (Delivery Groups) that sit underneath the Transformation Board. These are:
 - Housing, Planning and Regeneration;
 - Adult Social Care;
 - Children’s Services and Education;
 - Environment and Public Protection;
 - Professional Services; and
 - Workplace Modernisation.

3. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 3 October 2019. The scope for this work was to verify whether governance processes were in place to support the Transformation Programme. Specifically whether controls existed to monitor and report on high level programme delivery, as well as verifying the Council’s processes for gaining assurance over the progress of the six transformation work streams.

REVIEW OF THE TRANSFORMATION STRATEGY

5. The following were considered to be the key risks inherent to the transformation programme:
- If a governance structure fails to be established to control / monitor the delivery of transformation work streams, then the Council's strategic objectives may not met. Poor service delivery may subsequently result in reputational damage;
 - If the structure of the Transformation Board is not assessed to ensure that accountabilities have been clearly defined, so preventing overlap or gaps in assurance; with the Board meeting and conducting business in line with approved Terms of Reference, key issues in respect of transformation may not be discussed, leading to greater potential for inappropriate decision making;
 - If appointments to / composition of the Transformation Board (and the Delivery Groups) are not appropriately controlled, with all the needs of Bromley (with respect to the skills and experience of the individuals) considered, the Council may gain a false perception of its effectiveness and may therefore not take steps to mitigate potential issues;
 - If the Transformation Board (and Delivery Group) roles and responsibilities have not been clearly defined and communicated, or are not subject to regular review, then opportunities may be missed which could hinder the delivery of the required budget savings; and
 - If the Transformation Board does not receive periodic reports from the respective work streams (Delivery Groups), a true reflection of progress may not be obtained. Inconsistent monitoring across the six project streams may materialise, potentially hindering any required mitigating actions from being taken.

REVIEW OF THE TRANSFORMATION STRATEGY

AUDIT OPINION

6. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Substantial Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	0	2

SUMMARY OF FINDINGS

7. Based on our audit testing controls noted to be in place and operating effectively at the time of our review included:
- There is a documented Transformation Programme covering the period 2019/20 to 2022/23, setting out the challenges to deliver budget savings in 2019/20 and longer term (by 2022/23). It also identifies the strategic principles underlying the programme and outlines the governance structure.
 - There is a Transformation Programme Project Initiation Document (PID) which:
 - identifies the rationale for the programme;
 - establishes a Transformation Programme Board, with its own Terms of Reference, to be Chaired by the Chief Executive and whose membership should consist of all Chief Officers;

REVIEW OF THE TRANSFORMATION STRATEGY

- confirms the Chief Executive is the Senior Responsible Officer (SRO);
- states the programme will be delivered through six work streams, each with a Programme Board for which there is a documented Terms of Reference (specifying that the work stream lead officer is the relevant Director and appropriate service managers are members of each work stream Board); and
- documents that each work stream Programme Board shall provide a monthly 'Highlight' report to the Transformation Programme Board.
- Underpinning the PID, there is a Transforming Bromley Road Map, covering the period 2019 to 2023. It outlines the Bromley Vision, and sets out seven roles for the Council. It also sets out what the Council will undertake under its Transformation Programme through each of its six work streams.
- The Executive of the Council revised the senior management structure in July 2019 and, as a result, the PID was revised in September 2019 to reflect this change.
- The Transformation Programme Board is required to meet at least once every fortnight as per its Terms of Reference. It was confirmed the Board has met to this intended frequency. Meeting content, evidenced from examination of the meeting minutes between July and October 2019, demonstrated that the Transformation Programme Board tracks progress against the programme plan, considers risks and issues affecting programme delivery, which therefore helps to inform decision making. Consequently, the evidence available helped to demonstrate that the Transformation Programme Board is working towards its objective to support, challenge and facilitate Council departments in the identification and delivery of savings targets, in turn helping to develop, coordinate and manage transformation activity across the Council.
- The Transformation Work Stream Board Resource Allocation is documented and confirms, for each of the six work streams, that there is an identified Project Sponsor (the appropriate Director), a Programme Manager and Project Board Support.
- It was confirmed that each work stream board had met and produced a highlight report at least monthly, from July to September 2019, with minutes taken of each meeting.
- There is a requirement for the Transformation Programme Board to report regularly to the Executive of the Council. It was confirmed that a report had been made in July which recommended that 'the relevant Chief Officer reports back to their respective PDS Committee/s on the progress of the Transforming Bromley Programme as a standing item'. From

REVIEW OF THE TRANSFORMATION STRATEGY

July 2019, each work stream has reported to the Transformation Programme Board and also the related Member Policy and Development Scrutiny (PDS) Committee. Collectively, the controls in place in respect of the individual work streams evidenced that the defined work streams were leading on the management and delivery of transformation activity, had planned, designed, and proactively monitored progress, continued to resolve any issues, and reported upwardly as expected.

- A Transforming Bromley Change Management Framework has been developed which identifies steps for effective change management through the run-up to a change, during the change and post change.
- There is a Transforming Bromley intranet page which includes the Bromley Road Map, the PID, the Transformation Programme and its six work streams, and a power point presentation on Transforming Bromley. Monthly Newsletters have also been produced and communicated since July 2019.

8. We would however like to bring to management attention the following issues:

- The PID specifies the officer support for each work stream, but the Finance support for Housing, Regeneration and Planning is the Head of Finance for Children's Services. The stated Programme Manager for Adult Social Care and Professional Services are also incorrect. We were informed the Programme Manager for Adult Social Care has service specific experience, as well as programme / project management skills and has only recently been appointed.
- The Transforming Bromley intranet page includes the PID dated July 2019 rather than the version which was updated in September 2019 to allow for changes to the membership of the Transformation Programme Board.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

REVIEW OF THE TRANSFORMATION STRATEGY

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p><u>Officer Support</u></p> <p>The PID specifies the officer support for each work stream, but the Finance support for Housing, Regeneration and Planning is the Head of Finance for Children's Services. The stated Programme Manager for Adult Social Care and Professional Services are also incorrect. This was due to staff changes, including the recruitment for Adult Social Care of a Programme Manager with service specific experience.</p>	<p>There is a risk that, without sufficient or appropriate officer support, the work streams may be left unable to achieve their desired outcomes.</p>	<p>When there are changes in the officers responsible for the Transformation Programme, the PID should be reviewed and, where necessary, updated to ensure all such references remain correct.</p> <p>In the instance of changes such as the details of individual officers and contact details, such changes should be completed on the authority of the Programme Manager.</p> <p>Priority 3</p>	<p>The PID will be updated in January 2020 to reflect staffing changes.</p> <p>Whilst we have established the programme, staff with particular specialisms have been appointed as required.</p> <p>The Transformation Board are utilising the Transformation Fund to ensure that sufficient and appropriate capacity is available.</p>	<p>February 2020</p> <p>Assistant Director, Performance & Corporate Transformation</p>
2	<p><u>Transforming Bromley Intranet</u></p> <p>At the time of audit, the Transforming Bromley intranet page includes the PID dated July 2019, rather than the version which was updated in September 2019 to allow for changes to the membership of the Transformation Programme Board.</p>	<p>There is a risk staff follow outdated and inappropriate procedures.</p>	<p>When there are any amendments made to the PID, the updated version should be uploaded onto the intranet.</p> <p>Priority 3</p>	<p>The PID on One Bromley has now been updated to the September 2019 version.</p> <p>Officers will ensure that when the PID is updated in the future and signed off by the Transformation Board, it will be uploaded onto One Bromley in a timely way.</p>	<p>Completed</p> <p>Assistant Director, Performance & Corporate Transformation</p>

Assurance Level

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.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.



**FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT**

REVIEW OF COUNCIL TAX 2019-20

Issued to: John Nightingale, Head of Revenues & Benefits
Claudine Douglas-Brown, Assistant Director Exchequer Services
Peter Turner, Director of Finance

Prepared by: Corporate Assistant (Audit contractor on behalf of London Borough of Bromley) and Manager (Audit contractor on behalf of London Borough of Bromley)

Reviewed by: Head of Audit and Assurance

Date of Issue: 30th January 2020

Report No.: CEX/12/2019/AU

INTRODUCTION

1. This report sets out the results of our internal audit (audit) of Council Tax. The audit was carried out as part of the work specified in the 2019-2020 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The audit looked to review the key controls around the management of Council Tax. Coverage included examination of: policies, procedures and training; annual billing; amendments to the valuation list; amendments to account details; receipting of income; suspense account; reductions and disregards; refunds; arrears and write-offs.
3. The Revenues & Benefits Team is responsible for the oversight and management of Council Tax related processes. Exchequer services are outsourced to the Council's Exchequer Contractor, who are responsible for many of the administrative processes associated with Council Tax (sample testing during the audit has therefore needed to examine records that have been processed by the Council's Exchequer Contractor on Council's behalf). The key objective of the Council Tax section is to collect the Council Tax that is due from the borough's 142,000 residential properties in the same year that it is levied to meet the collection target of 97.5%.
4. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

5. The original scope of the audit was outlined in the Terms of Reference issued in October 2019.
6. The controls in place to mitigate the impact of the key risk areas were examined. Controls relating to corporate and departmental risks were also examined where applicable. The audit included a review of relevant documentation, interviews with key officers and testing of related procedures and processes.
7. The following were considered to be the key risks inherent to the Council Tax process:
 - Where agreed policies and procedures are not disseminated to staff, unofficial practices may spread and activities may not be carried out in line with management instructions or legislation.

- Where billing is not completed accurately and in a timely manner for all live accounts, there is an increased risk that not all Council Tax income due will be billed and thus not collected. The Council may therefore not maximise its Council Tax collection.
- Where amendments to the valuation list are made without authorisation from the Valuation Office, there is an increased risk of inappropriate or incorrect changes being made and thus the Council may suffer loss of income.
- Any inappropriate changes to account details may result in an increased risk that incorrect Council Tax is charged which may result in loss of income for the Council.
- Failure to correctly allocate Council Tax income to the relevant account results in an increased risk that income is not recorded and thus unnecessary recovery action may be taken.
- Where the suspense account is not regularly reviewed and cleared there may be inaccurate records on Council Tax accounts, resulting in inappropriate recovery action being taken. Where access to the suspense account is not controlled, there is an increased risk that inappropriate movements may be made without identification.
- Failure to verify that all reductions or exemptions are justified results in an increased risk that these may be inappropriately applied to accounts and thus the Council suffers a loss of potential income.
- Failure to verify and approve all refunds before processing these results in an increased risk that inappropriate refunds may be made.
- Where arrears are not identified, monitored and recovered, there is an increased risk that arrears could become irrecoverable, leading to financial loss.
- Where write offs are not authorised prior to being processed, there is an increased risk that invalid write offs are processed and financial losses may occur.

AUDIT OPINION

8. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Reasonable Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	2	1

SUMMARY OF FINDINGS

9. Controls noted to be in place and working well, based on the audit testing conducted, included:

- Centralised policy and procedure documents are accessible to staff through the Knowledge Hub, are up to date, and reflect existing processes.
- Monthly client reports are produced in the interest of having a means to assess the performance of the Council’s Exchequer Contractor. There is a section of the report stating figures relating to the recovery of Council Tax.
- There is an annual billing timetable outlining the various pre-requisite stages up to the issuance of Council Tax bills to the public. It was identified that actions were taken in line with the dates specified in the timetable.

- Sample checking and reconciliation controls were conducted, ensuring that the correct number of bills were sent to the Council's printing provider and the correct number of bills were subsequently issued.
- Reconciliations between the Council Tax records and the weekly Valuation Office Agency (VOA) schedules are conducted. Testing a period of six weeks established that reconciliations between the VOA Statement of Numbers and Bands, and the Banding Analysis Report were consistently conducted and signed off on a weekly basis.
- Evidence is available on the Council Tax system and the document management system to support rateable value amendments, including valuation data and emails between the property owners/tenants and the Council. Examination of 10 account amendments processed since April 2019 identified sufficient information available on the Council Tax system and the document management system to support all of the changes made. Upon making an amendment, a new bill was issued in a timely manner for all cases tested.
- Reconciliations between the cash receipting system and on the Council Tax system were conducted on a monthly basis by the Finance and Systems Analyst at the Council's Exchequer Contractor, before being verified by the Accounting Function at the Council. Testing a sample of six months identified the reconciliation was performed and authorised in each month. The reconciliations were included in the monthly client accounting pack.
- The right to move items from the suspense account is restricted to the Systems Admin Team at Council's Exchequer Contractor. The suspense account is monitored and cleared down on a daily basis.
- Council Tax exemptions and discounts are reviewed on an ongoing basis, with the eligibility of student and single person discount claimants being reviewed annually.
- Refunds are processed by the Council's Exchequer Contractor through either BACS or cheque payments, and authorised in a timely manner by the Council's Revenues and Benefits Team. Examination of a sample of 20 refund requests, processed since April 2019, identified all as being authorised by the Welfare Reform Manager, and processed in a timely manner.
- Recovery action is taken on accounts in arrears, the methods of which are in accordance with the Council's Exchequer Contractor's recovery procedure. Examination of a sample of 10 accounts in arrears identified that an appropriate method was being used to recover the debt corresponding to age of the debt. Methods of recovery include, but are not limited to, periodical reminders, consumer credit searches and as a last resort, enforcement agents.

- Performance statistics relating to the recovery of accounts in arrears, and of enforcement agencies, are produced on a monthly basis and provided to the client team for review.
- It was identified that the debt recovery procedures listed on the write off form are exhausted as appropriate with the category of debt, prior to write-off. Examination of a sample of 10 write-offs established sufficient recovery procedures being implemented in all cases prior to write-off.
- Performance statistics relating to the handling of complaints are also included in the monthly client report.
- Examination of a sample of 20 exemptions and discounts, awarded since April 2019, identified all as having sufficient information and documentation available on the document management system and the Council Tax system to justify the award.

10. We would like to bring to management attention the following issues:

- The discretionary Council Tax Support form available on the Council's website is not compliant with Data Protection Act 2018. This finding is carried forward from the 2017-18 audit.
- Write-off batch forms were not authorised by the client team in a timely manner. Examination of a sample of 10 write-off forms identified six as being authorised over a month after being submitted to the client team. Discussion with the Revenues and Benefits Manager established that there was a lack of support during this period. As of 03/12/2019 the post of Revenues Monitoring Officer has been filled in the interest of combating untimely sample checking and authorisation.
- Updated procedure requirements have been included in the Exchequer Services Overarching Specification which will be implemented when the contract renews in April 2020.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are prioritised in line with the criteria set within Appendix B.

REVIEW OF COUNCIL TAX 2019-20

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p><u>Data Protection Act 2018 Compliance</u></p> <p>Claim forms available on the Council's website should contain sufficient detail to ensure compliance with the Data Protection Act 2018. This can include indicating how the information provided on the form will be used and how long data will be retained for.</p> <p>The form used to claim Discretionary Council Tax Support was obtained from the Council's website. It was established that no changes had been made to ensure compliance since the last audit that took place during the 2017-18 period.</p>	<p>Where the Council's data collection processes are not compliant with the Data Protection Act 2018, there is a risk of a breach in legislation along with possibility of incurring fines and reputational damage.</p>	<p>Management should update the Discretionary Council Tax Claim form that is available on the Council's website to ensure compliance with the Data Protection Act 2018.</p> <p style="text-align: center;">Priority 2*</p>	<p>Agreed</p>	<p>Benefit Manager (Operations)</p> <p>May 2020</p>

REVIEW OF COUNCIL TAX 2019-20

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager									
2	<p><u>The Authorisation of Write-Offs</u></p> <p>Write-offs are authorised in batches that are sent to the client team by the Council's Exchequer contractor. The write-off forms are signed off and sent back to the Council's Exchequer contractor to be processed.</p> <p>Examination of a sample of 10 write-off forms authorised since April 2019, identified six that were authorised by the client team over a month after submission. These were:</p> <table border="1"> <thead> <tr> <th>Date batch submitted</th> <th>Date batch authorised</th> <th>Days to action</th> </tr> </thead> <tbody> <tr> <td>04/06/2019</td> <td>05/08/2019</td> <td>62</td> </tr> <tr> <td>03/07/2019</td> <td>05/08/2019</td> <td>33</td> </tr> </tbody> </table>	Date batch submitted	Date batch authorised	Days to action	04/06/2019	05/08/2019	62	03/07/2019	05/08/2019	33	<p>Where write offs are not authorised in a timely manner prior to being processed, there is an increased risk of arrears data being negatively influenced.</p>	<p>Upon appointment of the new Revenues Monitoring Officer, the client team should monitor the timeliness of the authorisation of write-off batches by setting a time limit to authorisation. This time limit should be adhered to.</p> <p style="text-align: center;">Priority 2</p>	<p>Agreed. Monitoring Officer now in place and working through outstanding batches</p>	<p>Benefit Manager (Operations)</p> <p>June 2020</p>
Date batch submitted	Date batch authorised	Days to action												
04/06/2019	05/08/2019	62												
03/07/2019	05/08/2019	33												

REVIEW OF COUNCIL TAX 2019-20

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager			
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	03/07/2019	24/09/2019	83					
	<table border="1"> <tr> <td>03/07/2019</td> <td>25/09/2019</td> <td>84</td> </tr> </table>	03/07/2019	25/09/2019	84				
03/07/2019	25/09/2019	84						
<table border="1"> <tr> <td>03/07/2019</td> <td>27/09/2019</td> <td>86</td> </tr> </table>	03/07/2019	27/09/2019	86					
03/07/2019	27/09/2019	86						
<p>In the above sample the authorisation process took up to three months.</p> <p>It was established that as of 03/12/2019 the post of Revenues Monitoring Officer has been filled. This is expected to improve team support and improve the timeliness of sample checking and authorisation.</p>								

REVIEW OF COUNCIL TAX 2019-20

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
3	<p><u>Complaints Processes</u></p> <p>Although complaints statistics are recorded and presented in the monthly client report, it was identified in the 2017-18 audit that there was insufficient information retained to support how complaints have been dealt with. It was established through discussion that the Revenues & Benefits Manager deems the complaints procedures to be “not fit for purpose” this being echoed in the previous audit report.</p> <p>In response to the inadequacies identified in the complaints processes, a set of updated procedure requirements of the Council’s Exchequer contractor was included in the Exchequer Services Overarching Specification, which will be</p>	<p>Where sufficient information is not being retained detailing the manner in which complaints have been dealt with, there is a risk that complaint cases may be handled inappropriately by the contractor. Additional complaints may then be raised as a result.</p>	<p>Management should ensure that the items included in the Exchequer Services Overarching Specification are implemented upon renewal of the control with the Council’s Exchequer contractor in April 2020.</p> <p>As an interim measure, it is suggested that progress on the implementation is reported in the monthly client report, until all cleared, to allow clearly tracking against expected activity.</p> <p style="text-align: center;">Priority 3</p>	<p>Agreed</p> <p>As an interim measure the theme of complaints will be reviewed by senior management</p>	<p>Benefit Manager (Operations)</p> <p>April 2020</p>

REVIEW OF COUNCIL TAX 2019-20

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	implemented upon commencement of the contract renewal date in April 2020.				

Assurance Level

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.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.

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**FINAL INTERNAL AUDIT REPORT
ADULT SERVICES**

REVIEW OF DEFERRED PAYMENTS

Issued to: Tricia Wennell, Head of Assessment & Care Management,
Claudine Douglas-Brown, Assistant Director, Exchequer Services,
Lynda Matthews, Lawyer,
Faith Riley, Lawyer,
James Mullender, Head of Finance, Adult Social Care, Health & Housing,
Naheed Chaudhry, Assistant Director, Strategy, Performance and Corporate Transformation,
Peter Turner, Director of Finance (Final Only),
Kim Carey, Director of Adult Services (Final Only).

Prepared by: Principal Auditor,

Reviewed by: Head of Audit & Assurance,

Date of Issue: 22/01/2020

Report No.: ECHS/05/2019/AU

REVIEW OF DEFERRED PAYMENTS AUDIT 2019-20

INTRODUCTION

1. This report sets out the results of our audit of Deferred Payments. The audit was carried out as part of the work specified in the 2019-20 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The Care Act 2014 requires all local authorities in England to operate a deferred payment scheme from 1st April 2015, as an option for payment of care home fees. Other applicable legislation includes the Mental Capacity Act 2005, where service users may not have the mental capacity to enter into a deferred payment agreement, in which case a legally authorised representative of the service user needs to undertake this on their behalf. The Care and Support (Deferred Payment) Regulations 2014 are also applicable.
3. Local authorities are required to provide a deferred payment scheme for anyone who has been assessed as having eligible needs which should be met through care in a residential/nursing home setting; is ordinarily resident in the London Borough of Bromley or, the Authority has determined that they will or would meet the care needs under Section 19 of the Care Act; has less than £23,250 in assets, excluding the value of their home; their home has not been disregarded and they are able to provide adequate security.
4. A legal charge will be placed on the property in order to recover the monies when the property is sold.

REVIEW OF DEFERRED PAYMENTS AUDIT 2019-20

5. There are two types of deferred payment agreements (DPA); a traditional agreement or a short term loan (STL) , which will last for 3 months, unless extended for a further 3 months upon authorisation. The type and volume of applications are detailed below:

Type	2018/19	2019/20 (to date)
Deferred Payment Agreement Applications Received	21	11
Deferred Payment Agreements Approved	11	3
Short Term Loans Applications Received	10	4
Short Term Loans Approved	3	0

6. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

7. The original scope of the audit was outlined in the Terms of Reference issued on 15/7/19.
8. The key risks covered within this audit included the following:-
- The eligibility criteria may not be adhered to.
 - Completed deferred payment agreements are not in place.
 - Administrative charges are not made.
 - Legal charges are not placed on the property.

REVIEW OF DEFERRED PAYMENTS AUDIT 2019-20

AUDIT OPINION

9. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Reasonable Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	4	2

SUMMARY OF FINDINGS

10. Our testing identified the following issues which we would like to draw to management’s attention:-

a) Deferred Payment Policy & Agreement

A copy of the Deferred Payment Policy dated April 2019 was provided to the Auditor. It was found that the policy does not cover or have sufficient detail of the following:-

- Whether the property being used as security is unregistered, as in Sample 20.
- How the service user / representative is under a duty to keep the Local Authority informed and undertakings that should be given to the Local Authority, which may possibly result in further deferred amounts under the agreement.
- The charging for 3 days full cost after the date of the client’s death, as confirmed by Contract and Operations Manager (Exchequer).

REVIEW OF DEFERRED PAYMENTS AUDIT 2019-20**b) Carefirst Records**

Audit testing of the client's records showed that where there is a deferred payment in place with the service user/representative it is not recorded consistently on the system.

The Auditor tested to confirm that the DPA appeared under Key Classifications on the front screen for each relevant service user which immediately highlights that a DPA is in place.

It was confirmed by the Carefirst team that classifications can be recorded as a special classification under biography and depending on how the classification is set up it will also appear under key classifications on the front screen. Additional areas for the DPA to be identified are also under the service description and within the service agreement notes.

Issues arose in 9 cases. There is no recording of STL's being in place with service users / representatives on Carefirst.

c) Letters to Service User/Representative

Reviewing the final account letters issued to the service user/representative it was found that they were not clear and in some cases contained errors or differing information.

STL Cases

The letter for Sample 1 details the incorrect dates.

For Sample 7, the final cost letter refers to a different invoice number to the one attached.

d) Delays In Progressing the Deferred Payment Agreements

It was found that there were delays in the processing of the DPA for some of the samples selected for testing.

For Sample 2, the final account letter is dated 6/7/18 and the service user died on 16/2/18. The DPA account has to be settled 90 days from the date of death which expired on 16/5/18, 51 days before the final account letter is dated.

There were delays in respect of Sample 14. The final cost letter was dated 21/10/19 and the client passed away on 7/8/19.

In respect of Samples 16 and 18, delays resulted in complaints being made and compensation being awarded.

REVIEW OF DEFERRED PAYMENTS AUDIT 2019-20**e) Administrative Charges & Interest**

The individual interest rates for the relevant period are not detailed within the final account letter, statement or invoice. The service user / representative may be aware of the interest rates at the time of signing the DPA, but the rates may have changed by the time the invoice for the DPA is issued.

The administration charges are not fully detailed or identified clearly within the final account letter or the statement.

The statement layout should also be reviewed to provide further clarity to the administration charges, interest charges and 3 days full cost.

The way in which the information is detailed within the invoices is not clear in relation to the individual calculations and charges as in Sample 2 (701072897).

For Sample 16, the representative was notified on 28/10/19 that the interest had been calculated incorrectly as £110.13 instead of £98.43.

f) Outstanding Monies

It was confirmed by the Operations Manager, Contractor A, that there remain 3 cases where outstanding monies are still due in respect of DPA totalling £139,623.28, at the time of testing. All three cases are included within the Sample selected for testing.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

REVIEW OF DEFERRED PAYMENTS AUDIT 2019-20

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p><u>Deferred Payment Policy & Agreement</u> A copy of the Deferred Payment Policy dated April 2019 was provided to the Auditor. It was found that the policy does not cover or have sufficient detail of the following :-</p> <ul style="list-style-type: none"> • Whether the property being used as security is unregistered • How the service user / representative is under a duty to keep the Local Authority informed and undertakings that should be given to the Local Authority, which may possibly result in further deferred amounts under the 	<p>Staff may be operating to different working practices.</p>	<p>Management should ensure that the Deferred Payment Policy is fully reviewed and the relevant areas highlighted, incorporated within the policy.</p> <p>Any changes should be carried out in conjunction with the Deferred Payment Agreement (DPA).</p> <div style="border: 1px solid black; background-color: #90EE90; padding: 2px; display: inline-block;">Priority 3</div>	<p>The Deferred Payment Policy will be reviewed and any appropriate amendments will be made to ensure the information provided complies with the statutory guidance.</p>	<p>31/03/20 Assistant Director Exchequer Services</p>

REVIEW OF DEFERRED PAYMENTS AUDIT 2019-20

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APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	agreement. <ul style="list-style-type: none"> The charging for 3 days full cost after the date of death. 				
2	<p>Carefirst Records</p> <p>Audit testing showed that it is not recorded consistently on the system where there is a deferred payment in place with the service user/representative.</p> <p>The Auditor tested to confirm that the DPA appeared under Key Classifications on the front screen for each relevant service user which immediately highlights that a DPA is in place.</p> <p>It was confirmed by the</p>	<p>Decisions may be made incorrectly without the full knowledge of the case.</p>	<p>Information pertaining to the DPA and STL's should be easily accessible, readily available and consistently recorded.</p> <p>Any changes in processes should be fully documented.</p> <p>It should be highlighted that STL's are currently in place.</p> <p style="text-align: center;">Priority 3</p>	<p>All current DPA and STL cases will be reviewed to ensure there is a classification recorded on CareFirst.</p>	<p>28/02/20</p> <p>Contractor A, Operational Manager</p>

REVIEW OF DEFERRED PAYMENTS AUDIT 2019-20

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>Carefirst team that classifications can be recorded as a special classification under biography and depending on how the classification is set up it will also appear under key classifications on the front screen. Additional areas for the DPA to be identified are also under the service description and within the service agreement notes.</p> <p>The samples below are highlighted to demonstrate where the detail of the DPA was recorded:-</p> <p>For Sample 4 recorded on service agreement notes and under special classifications.</p> <p>Sample 5 not recorded in any of the 4 locations.</p> <p>Sample 6 recorded on</p>				

REVIEW OF DEFERRED PAYMENTS AUDIT 2019-20

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>service agreement notes and special classifications. Sample 11 recorded on special classifications only. Samples 12 recorded on special classifications only. Sample 14 recorded on service agreement notes and special classifications. Sample 19 recorded on special classifications and on service agreement notes. Sample 20 recorded on special classifications only. It was noted that for Sample 16 a recent case, the classification appeared on the front screen as well as within the service agreement description possibly indicating a change in process. There is no recording of STL's being in place with</p>				

REVIEW OF DEFERRED PAYMENTS AUDIT 2019-20

DETAILED FINDINGS AND ACTION PLAN

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
3	<p>service users / representatives on Carefirst.</p> <p><u>Letters to Service User/Representative</u> Reviewing the final account letters issued to the service user/representative, it was found that they were not clear and in some cases contained errors or differing information.</p> <p><u>STL Cases</u> The letter for Sample 1 details the incorrect dates. For Sample 7, the final cost letter refers to a different invoice number to the one attached.</p>	Information is not clear and may be misleading.	<p>Letters issued to service users / representatives should be clear and accurate and should be issued without delay.</p> <p>Priority 2</p>	<p>All letters will be reviewed and updated to ensure the information provided is clear.</p> <p>Contractor A have been reminded on the importance of providing accurate information.</p>	<p>28/02/20</p> <p>Contractor A Operational Manager</p>
4	<p><u>Delays In Progressing the Deferred Payment Agreements</u> It was found that there were</p>	Interest may incorrectly accrue on the Deferred Payment balance.	Management should ensure that there are not unnecessary delays in the processing of the DPA's and STL's.	Contractor A have introduced more robust processes to ensure that there are no unnecessary delays in	Completed

REVIEW OF DEFERRED PAYMENTS AUDIT 2019-20

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>delays in the processing of the DPA for some of the samples selected for testing. For Sample 2, the final account letter is dated 6/7/18 and the service user died on 16/2/18. The DPA account has to be settled 90 days from the date of death which expired on 16/5/18, 51 days before the final account letter is dated.</p> <p>There were delays in respect of Sample 14. The final cost letter was dated 21/10/19 and the client passed away on 7/8/19.</p> <p>In respect of Samples 16 and 18 delays resulted in complaints being made and compensation being awarded.</p>	<p>Reputation of the Authority is damaged.</p>	<p style="text-align: center;">Priority 2</p>	<p>processing Deferred Payment Agreements.</p>	
5	<p><u>Administrative Charges & Interest</u></p>	<p>The charges may not be clear and</p>	<p>Management should review the final cost letter and statements to ensure that</p>	<p>The letters and statements will be reviewed and updated</p>	<p>28/02/20 Contractor A,</p>

REVIEW OF DEFERRED PAYMENTS AUDIT 2019-20

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>The individual interest rates for the relevant period are not detailed within the final account letter, statement or invoice. The service user / representative may be aware of the interest rates at the time of signing the DPA but the rates may have changed by the time the invoice for the DPA is issued.</p> <p>The administration charges are not fully detailed or identified clearly within the final account letter or the statement.</p> <p>The statement layout should also be reviewed to provide further clarity to the administration charges, interest charges and 3 days full cost.</p> <p>The way in which the information is detailed within</p>	<p>easily identifiable.</p>	<p>the administration charges, interest and 3 days full cost are open and transparent.</p> <p>Priority 2</p>	<p>to ensure the information provided is clear.</p>	<p>Operational Manager</p>

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>the invoices is not clear in relation to the individual calculations and charges as in Sample 2 (701072897). For Sample 16, the representative was notified on 28/10/19 that the interest had been calculated incorrectly as £110.13 instead of £98.43</p>				
6	<p><u>Outstanding Monies</u></p> <p>It was confirmed by the Operations Manager, Contractor A, that there remain 3 cases where outstanding monies are still due in respect of DPA at the time of testing. All 3 cases are included within the sample. It was found that at the time of testing that for three cases no payment had been made in respect of the</p>	<p>Loss of income to the Authority.</p>	<p>It should be confirmed why there have been delays in recovering these monies under the individual Deferred Payment Agreements.</p> <p>Priority 2</p>	<p>The debts are secured by way of a charge on the property and interest continues to accrue whilst the debt remains unpaid; there is no loss of income.</p> <p>It can take a number of months for probate to be obtained and then for the properties to be sold in order to repay the debt.</p>	<p>Ongoing Contractor A Operational Manager/Contract Monitoring Officer.</p>

REVIEW OF DEFERRED PAYMENTS AUDIT 2019-20

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>invoices for the deferred payment agreements. Sample 2 this related to an amount of £71,844.15 and relates to invoice 701072897 dated 6/7/18. The Solicitors contacted the Authority requesting the current balance on 26/8/19, on 30/9/19 and again on 1/10/19. Interest has been accruing and the revised balance as at 02/10/19 was £73,847.13, as detailed on the DPA termination interest calculation sheet dated 2/10/19. It is unclear why there was a delay between August and October 2019. As at 2/12/19 the invoice remains unpaid.</p> <p>For Sample 19, this related to an amount of £34,644.02 Invoice 701112731 dated</p>			<p>Where it is considered that the executor is not proactively seeking a sale, the Council can seek possession in order to sell the property and settle the debt.</p> <p>All debts that are secured by way of a charge are reviewed monthly as part of the service review process.</p>	

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>19/2/19. The latest statement totals £36,421.55 to 10/1/19. It is unclear why there was a delay between February and November 2019.</p> <p>As at 2/12/19 the invoice remains unpaid.</p> <p>Sample 20 relates to invoice 701087460 dated 24/9/18 for £28,794.56 that remains outstanding. Final interest calculation to 27/10/19 and revised total is £29,354.60.</p> <p>As at 2/12/19 the invoice remains unpaid.</p> <p>The total outstanding for all invoices is in excess of £139,623.28, as interest continues to accrue.</p>				

OPINION DEFINITIONS

Assurance Level

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.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.

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**FINAL INTERNAL AUDIT REPORT
ENVIRONMENT AND PUBLIC PROTECTION DEPARTMENT**

REVIEW OF BUSINESS CONTINUITY AND EMERGENCY PLANNING

Issued to: Colin Brand, Director of Environment and Public Protection
Joanne Stowell, Assistant Director of Public Protection
David Tait, Emergency Planning Manager

Prepared by: Corporate Assistant, (Audit contractor on behalf of London Borough of Bromley) and Manager, (Audit contractor on behalf of London Borough of Bromley)

Reviewed by: Head of Audit & Assurance

Date of Issue: 23 December 2019

Report No.: CORP/03/2019/AU

REVIEW OF BUSINESS CONTINUITY AND EMERGENCY PLANNING

INTRODUCTION

1. This report sets out the results of our audit of Business Continuity and Emergency Planning. The audit was carried out as part of the work specified in the 2019-20 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The Emergency Planning and Corporate Resilience Team in the Council is responsible for the maintenance of the Business Continuity Management and Emergency Planning processes within the borough, including ensuring that all documentation and procedures are compliant with the Civil Contingencies Act 2004. However it is a requirement of Service Heads to take ownership of the Business Continuity Plans themselves, along with the testing of their specific plans. The Emergency Planning and Corporate Resilience Team is also tasked with embedding processes and procedures in the interest of maintaining a Council-wide culture and understanding of Business Continuity and Emergency Planning. The team collaborate with other local boroughs and agencies to help ensure the both general and borough specific risks are suitable mitigated.
3. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued in May 2019.
5. The following were considered to be the key risks inherent to the Business Continuity and Emergency Planning process:
 - Emerging risks may not be identified in a timely manner and therefore major incidents may then severely impact on the operations of the Council (if there is little buy-in to the Council's Business Continuity / Emergency Plan).
 - In the absence of policy and procedures, or if roles and responsibilities for business continuity and emergency planning are not made clear, there may be inconsistency and lack of direction in the performance of resilience functions.
 - The Council may lack oversight and support to help ensure it can mitigate against the severity of potential business continuity / emergency planning impacts and staff members may not able to effectively execute their tasks during such situations.

REVIEW OF BUSINESS CONTINUITY AND EMERGENCY PLANNING

- Unplanned / unforeseen events may result in severe business interruptions if there is no buy-in to the Council’s plans for how it can ensure business continuity. Emergency plans may not adequately mitigate the risks associated with emergencies (if they are not tested periodically). If action plans are not developed and reviewed, following incidents, risk exposure may not improve into the future.
- In the absence of sufficient management level reporting, the Council’s senior management may fail to have visibility over the status of business continuity / emergency planning compliance. The Council may also not be aware of best practices etc.

AUDIT OPINION

6. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Limited Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
2	3	0

REVIEW OF BUSINESS CONTINUITY AND EMERGENCY PLANNING

SUMMARY OF FINDINGS

7. Controls noted to be in place and working well at the time of our audit fieldwork and based on the audit testing conducted, included:
- The Emergency Planning and Corporate Resilience Lead reports to the South East Sub-Regional Resilience Programme Board, and the Local Authorities Panel – Implementation Group. Both groups embolden local collaboration in Emergency Planning developments, and feed into London Resilience Partnership, which helps ensure emergency preparedness for the whole of London.
 - The Emergency Planning and Corporate Resilience (EPCR) Lead chairs the Bromley Borough Resilience Forum with the purpose of being the focal point for local multi-agency preparedness, response and recovery planning.
 - Emergency Centre Plans, as required by the London Local Authorities Concept of Operations for Emergency Response and Recovery, are in place.
 - In accordance with the Civil Contingencies Act 2004, the risk of an emergency occurring has been assessed by the ECPR Lead and the Bromley Resilience Forum, resulting in a Community Risk Register being published.
 - The interim Minimum Standards for London (MSL) self-assessment was completed in October 2018 and identified areas for development. The Corporate Resilience Team has since taken mitigating actions in preparation for the Resilience Standards for Local Governments audit, which is due to take place in December 2019.
 - The Business Continuity Policy and Management Strategy highlights the roles and responsibilities of key members of staff. Furthermore, examination of a random sample of 10 completed Business Continuity Plans (from a total population of 47), identified all as containing the responsibilities of staff and key contact information.
 - There are guidance handbooks available defining the roles and responsibilities of the key members of staff identified in the London Local Authorities Concept of Operations for Emergency Response and Recovery.
 - Standardisation Programme training was provided by EPCR Lead for the key members of Resilience staff.
 - Regular table top exercises are completed in relation to Emergency Planning for both the London Resilience Partnership (pan-London test event) and the Bromley Resilience Forum (Bromley specific test event).

REVIEW OF BUSINESS CONTINUITY AND EMERGENCY PLANNING

8. We would however like to bring to management attention the following issues:
- Not all Business Continuity Plans have been fully completed. The main content of the plans are completed by the EPCR Lead and then sent to the relevant Heads of Service for personalisation. Examination of the Business Continuity Plans tracker spreadsheet identified that at the time of the audit 13 out of 47 plans had not been fully completed and received by the EPCR Lead. Furthermore, none of the plans have received final approval from the respective departmental Director.
 - Since not all Business Continuity Plans have been completed, rounds of testing and exercising have not yet been initiated. Therefore, the functionality and effectiveness of plans have not been established, potentially limiting their reliability in a real life scenario.
 - The Business Continuity Policy and Strategy Statement has not yet received final approval from the Chief Executive. The document outlines the Council's Business Continuity Management process and proposals for embedding Business Continuity throughout the organisation.
 - The Business Continuity Policy and Strategy Statement proposes that business continuity should be incorporated into the staff induction process; e-mail bulletins; 'onebromley' webpages, and staff development training sessions. However, these systems identified as being necessary to help embed Business Continuity, have not yet been implemented.
 - It is proposed in the Business Continuity Policy and Strategy Statement that Business Continuity and Emergency Planning should be a consistent agenda item at Executive meetings. However, this proposal has not yet been enacted.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

REVIEW OF BUSINESS CONTINUITY AND EMERGENCY PLANNING

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p><u>Completion and Approval of Business Continuity Plans</u></p> <p>Discussion with the ECPR Lead established that the previous Corporate Resilience Lead met significant issues in ensuring Business Continuity Plans were being completed in a timely manner. Upon arriving twelve months ago, the ECPR Lead has revised the process, and now completes the majority of each plan's content before it is sent to the Head of Service for personalisation (adding the information present in Section 5 of the plans). This has seen an increased uptake in the timeliness of plan completion, however, examination of the BCP tracking spreadsheet identified that at the time of the audit 13 plans were still</p>	<p>Where a Business Continuity Plan is not in place for each identified service area, there is a risk of affected services not having the capacity to function in the event of an emergency. Furthermore, without final approval from Directors, the validity of Business Continuity Plans remains limited.</p>	<p>Management should:-</p> <p>(i) Finalise all outstanding Business Continuity Plans, and where necessary, escalate outstanding plans to the relevant departmental director.</p> <p>(ii) Meet with all respective Directors for final approval of completed Business Continuity Plans.</p> <p>(iii) Maintain an annual reviewing schedule of all Business Continuity Plans.</p> <p>Priority 1</p>	<p>1) All business continuity plans are now finalised.</p> <p>2) One meeting has already been held, all others have been diarised</p> <p>3) To be set by Corporate Leadership Team (CLT), facilitated by EP & CR lead, following acceptance by Chief Officer Executive (COE) of Business Continuity Management (BCM) policy & strategy framework on 17.12.19.</p>	<p>1) Complete</p> <p>2) End Jan 2020 – Emergency Planning & Corporate Resilience (EP & CR) lead</p> <p>3) End of financial year - CLT</p>

REVIEW OF BUSINESS CONTINUITY AND EMERGENCY PLANNING

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>outstanding, having been sent to the service for personalisation but not yet completed.</p> <p>Furthermore, in the interest of confirming the contents and prioritisation ratings given to each service, it is the intention of the ECPR Lead to obtain final approval from the relevant departmental Directors. This process of approval has not yet been initiated as the plans are still being completed.</p>				

REVIEW OF BUSINESS CONTINUITY AND EMERGENCY PLANNING

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APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
2	<p><u>Testing of Business Continuity Plans</u></p> <p>Discussion with the EPCR Lead established that testing of the Business Continuity Plans has not commenced due to not all plans being completed and approved.</p> <p>It has been suggested to plan owners that they are responsible for testing their plan at least annually, however, formal action has not been taken with regards to testing due to many plans being incomplete.</p> <p>Furthermore, the Business Continuity Policy and Strategy Statement suggests that exercising should be recorded as part of a testing schedule.</p>	<p>Where Business Continuity Plans have not been tested, there is no confirmation the plans works in practice, or that staff are aware of their responsibilities. This may limit the effectiveness of plans in real life events.</p> <p>Furthermore, where lessons are not learned as a result of plan exercises, there is a risk that issues identified during the exercise may not be used to improve the plan quality.</p>	<p>Management should:-</p> <p>(i) Ensure plan owners are testing their plan at least annually, and the result of plan exercises are documented in a testing schedule.</p> <p>(ii) Once issues have been identified, an action plan should be produced for each service to improve the effectiveness of their plan. An action plan should be produced as a result of each walkthrough if necessary.</p> <p>(iii) Even where formal plans are yet to be documented, insist services still conduct a localised test / scenario (on the basis that testing and letting services fail may be the best way to identify what arrangements need to be put in place).</p> <p>(iv) Clear ownership / responsibility should be assigned to ensure the above steps are driven forward / escalated to full implementation.</p> <p>Priority 1</p>	<p>1,2 & 4) These processes and subsequent assurance will be achieved through the BCM cycle that will be produced by the EP & CR lead for adoption & delivery by CLT.</p> <p>3) All plans have now been completed and will be subjected to the testing & exercise regime contained within the BCM cycle documentation owned by CLT.</p>	<p>1,2 & 4) document prepared by EP & CRC lead for next CLT meeting, in Feb 2020.</p> <p>3) No longer applicable</p>

REVIEW OF BUSINESS CONTINUITY AND EMERGENCY PLANNING

DETAILED FINDINGS AND ACTION PLAN

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
3	<p><u>Business Continuity Policy and Strategy Statement</u></p> <p>The Business Continuity Policy and Strategy Statement that outlines the tenets of the Council's Business Continuity Management process had not been approved by the Chief Executive.</p> <p>Discussion with the EPCR Lead established that, although the policy had been discussed with the Chief Executive, there was no final approval and sign off. It was evident that the policy had been recently updated in September 2019. Approval of the document would act as a mandate of the proposals for embedding Business Continuity throughout the Council.</p>	<p>Where the Business Continuity Policy and Strategy Statement has not been signed off by the Chief Executive, there is an absence of a Council-wide buy-in of the Business Continuity Management processes and upcoming proposals.</p> <p>This could result in a restriction on the Emergency Planning and Corporate Resilience Team's ability to embed expected processes.</p>	<p>Obtain final approval and sign off of the Business Continuity Policy and Strategy Statement from the Chief Executive. The approved policy should be made accessible to staff.</p> <p>Priority 2</p>	<p>1) Policy & Strategy framework authorised by COE on 17.12.19</p>	<p>1) Complete</p>

REVIEW OF BUSINESS CONTINUITY AND EMERGENCY PLANNING

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
4	<p><u>Embedding Business Continuity and Emergency Planning</u></p> <p>The Business Continuity Policy and Strategy Statement positions that the EPCR team continually seeks to integrate Business Continuity into day to day activities and organisational culture. It is suggested that this will be achieved through incorporating Business Continuity into the staff induction process, e-mail bulletins, 'onebromley' webpages, and staff development sessions.</p> <p>Since the policy has not yet received Chief Executive approval, the embedding techniques are not currently in place.</p>	<p>Where Business Continuity is not embedded in Council operations, there is a risk that staff and Heads of Service are unaware of their role and the importance of Business Continuity. This could result in plans being implemented ineffectively in the event of a real life emergency.</p>	<p>Management should incorporate Business Continuity and Emergency Planning into the following systems:-</p> <ul style="list-style-type: none"> (i) The staff induction process (ii) E-mail bulletins (iii) 'onebromley' webpages (iv) Staff development sessions <p style="text-align: center;">Priority 2</p>	<p>1 – 4) Work has begun to develop the below areas, working with HR and Transformation team to embed.</p>	<p>End of financial year – EP & CR lead</p>

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
5	<p><u>Executive Meeting Agenda</u></p> <p>In accordance with the Business Continuity Policy and Strategy Statement it is proposed that "the Chief Executive will chair CLT meetings, which are held on a monthly basis. Business Continuity Management will be a standing agenda item with progress reported upon bi-monthly."</p> <p>As per finding 3 of this report, there is currently no consistent buy-in of the Business Continuity and Emergency Planning developments, and no avenue to report issues up the chain of hierarchy.</p>	<p>Where developments and issues are not reported to the Chief Executive on a regular basis, there is a risk that such topics are not addressed. This could prove a detriment to the quality of Business Continuity Management and Emergency Planning procedures.</p>	<p>To comply specifically with the proposed Council's Business Continuity Policy and Strategy Statement, Business Continuity and Emergency Planning should be made a consistent agenda item at Corporate Leadership Team meetings, ensuring developments and issues are reported up the chain of hierarchy.</p> <p>Alternatively, a risk-based approach to reporting to Corporate Leadership Team meetings could be implemented to provide greater value and meaning into senior leaders (on the basis that a standard report may not be the best way to communicate / escalate emerging risks in this area).</p> <p style="text-align: center;">Priority 2</p>	<p>Policy & Strategy framework has been authorised, with Agenda item set up for future CLT meetings.</p>	<p>Complete.</p>

Assurance Level

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.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.



**FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT**

REVIEW OF PROCUREMENT CARDS

Issued to: Claudine Douglas-Brown, Assistant Director Exchequer Services
Nigel Hutton, Contract and Operations Manager (Exchequer)
Laurence Downes, Assistant Director, Governance & Contracts
Maddy Hayes, Head of Procurement
Emma Downie, Head of HR Business, Systems and Reward

Cc Peter Turner, Director of Finance
Charles Obazuaye, Director of Human Resources and Customer Services

Prepared by: Principal Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 14 January 2020

Report No.: CEX/11/2019/AU

REVIEW OF PROCUREMENT CARDS

INTRODUCTION

1. This report sets out the results of our audit of procurement cards. The audit was carried out as part of the work specified in the 2019-20 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council’s exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The procurement card system was previously audited in 2014 and given a ‘Limited assurance’ audit opinion. Eleven recommendations were made, three of which were considered high priority. The recommendations were followed up in 2015 and it was reported that progress had been made implementing them with two recommendations re-recommended. These related to a review of cards which had not been used and the need for managers to approve outstanding transactions recorded on the system.
3. Administration of the procurement card system was transferred to the Council’s Exchequer Contractor on 1 October 2019 as an addition to the Exchequer contract. The Contract and Operations Manager in Finance Services continues to oversee the arrangement and provide advice as required following the transition. As shown in the table below, expenditure using procurement cards has increased over the last two financial years and, based on the level of total expenditure so far this financial year, is expected to increase further. We have not however been able to carry out any detailed analysis of expenditure and card usage to identify why this might be.

Year	Total amount spent using procurement cards
1 April 2017 - 31 March 2018	£265,506.70
1 April 2018 - 31 March 2019	£341,748.34
1 April 2019 - 29 November 2019	£281,133.90

4. We would like to thank all staff contacted during this review for their help and co-operation.

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AUDIT SCOPE

5. The original scope of the audit was outlined in the Terms of Reference issued on 11 July 2019. We identified the following key risks prior to the start of our review:
- Inappropriate purchases may be made
 - Cards are issued without appropriate authority
 - The use of cards may not be monitored and controlled
 - The issue and control of each card is not documented
 - Card users may not be aware of the terms and conditions of use and the Council’s regulations and procedures
 - There is no supporting evidence for purchases made

AUDIT OPINION

6. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Limited Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
3	7	0

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SUMMARY OF FINDINGS

7. Overall we found that controls were either not in place or not working effectively in a number of areas. These are summarised below:-
8. The responsibility and accountability of those teams and individuals involved in the different tasks or objectives of the procurement card system need to be clarified and agreed. This includes responsibility for undertaking independent periodic checks on transactions to identify any procurement card misuse.
9. Our testing identified instances where procurement cards had been used to purchase gifts and meals for individuals and teams. The circumstances around these are described in Appendix C and highlight a lack of documented evidence to support the purchase and/or why we considered it appropriate to question the use of the card for these purposes.
10. Those transactions included a 'thank you' meal for officers at the end of a project, gifts for individuals to celebrate long service, team meals and a gift card as part of the merit award scheme. We identified that there were tax and National Insurance Contributions (NIC) payable on these but we also found that they had not been paid. We recognise that the tax and NIC implications are not widely known by officers of the Council but it does however leave the Council seeking permission from HMRC to pay the tax and NIC due, together with any penalty charge arising. These tax and NIC issues have been addressed in a separate audit report with appropriate recommendations made.
11. We found that a significant number of procurement card transactions had not been submitted and/or approved timely. At the beginning of October there were 882 unauthorised transactions outstanding, totalling approximately £54,000. The oldest transaction was dated 29 January 2018.
12. Supporting documents to reclaim VAT on a number of procurement card transactions were either missing, or did not have the VAT correctly accounted for. Also, transactions showed that the VAT had not been reclaimed when it should have and in two cases from our sample testing the incorrect rate of VAT had been claimed.
13. The procurement card policy and procedures document, dated August 2017, which was in existence prior to the start of this audit, did not specify any excluded categories of expenditure except for cash withdrawals. It has since been revised to include that the purchase of gifts and numerous other categories of expenditure, should not be made.
14. The field for entering the transaction description on the procurement card system is a free text field but the system does not make it compulsory for it to be completed. We identified over 600 transactions between the period 1 August 2018 and 31 July

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2019 which had no description entered for the transaction made but which had been approved by the card holder's manager. We also identified a number of transactions made to the same supplier, where it was apparent that expenditure over £500 had been split into two or more transactions. This could have been done to avoid having to seek approval for an increase in the procurement card limit and authorisation at a higher level of authority.

15. During our audit we identified that there are numerous reports which can be run from the procurement card system to provide management information on purchases made. These could provide useful information to card holders and approvers but they have not yet been explored and introduced by management.
16. The Council's policy on travel and subsistence is dated 2013 and needs to be reviewed and updated, particularly the subsistence rates. It does not have an owner or review date. Whilst it is entitled 'Travel and subsistence' there is no reference in the document on how or when to claim travel expenses.
17. During discussion with a new card holder we identified that she had not been provided with any guidance when receiving her procurement card. We referred her to the intranet page on onebromley where the current version of the guidance, together with instructions for card holders and approvers can be found. On raising this with the Assistant Director of Exchequer Services, we were informed that the Council's Exchequer Contractor will be instructed to address this for new card holders in future.
18. We were unable to find records of the approved procurement card request form with the authorised approver's signature. We identified that these forms are shredded once the procurement card arrives.
19. We could not find a signed copy of the contract between the Council and the Council's banking provider for the procurement card scheme or a completed contract award document. Those matters are being addressed retrospectively by the Head of Procurement.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

20. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

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No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p><u>Roles and responsibilities for the operation and governance of the procurement card system</u></p> <p>Administration of the procurement card system transferred to the Council's Exchequer Contractor on 1 October 2019 as an addition to the existing Exchequer contract. Exchequer Services, who previously administered the procurement card system, are now performing an advisory role and continuing to provide reports to managers periodically with details of all the card transactions outstanding. The procurement team have updated the procurement card guidance and uploaded that and other related guidance to the intranet site.</p> <p>The respective roles and responsibilities of teams and officers involved are not however clear. As a result of our findings and discussions, we are aware that the Head of Procurement has developed a RACI matrix (responsibility assignment matrix) showing the tasks and division of responsibilities for those involved in the procurement card system. This will be extremely useful in driving future discussions about roles, responsibilities and governance. It will also highlight where any gaps in these exist.</p> <p>We identified that there is also no evidence of second line of defence checks being carried out, eg:</p>	<p>Management should clarify and agree the roles and responsibilities of those involved in the different tasks or objectives of the procurement card system. It should include who will carry out periodic checks on procurement card expenditure and take action to address any issues identified such as authorising the removal of the procurement card facility where guidance has not been adhered to, and/or seeking explanation from Heads of Service/Directors if the purchase of items is considered inappropriate.</p> <p>Priority 1</p> <p>Appendix C provides details of instances we identified where procurement cards had been used to purchase gifts and meals for individuals and teams. They highlight a lack of documented evidence to support the purchase</p>	<p>The Assistant Director of Exchequer Services has confirmed the roles and responsibilities of the Council's Exchequer Contractor and the Exchequer Team. Changes to the draft RACI matrix have also been proposed and a meeting of the relevant parties is taking place in the near future to discuss and agree the respective roles and responsibilities.</p>	<p>31 January 2020</p> <p>To be decided</p>

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No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<ul style="list-style-type: none"> - identifying cards which have not been used or used infrequently within the past year, - identifying and seeking explanations for any expenditure which appears inappropriate, - identifying where supporting evidence has not been uploaded onto the procurement card system, - identifying transactions which have been split to bypass the individual transaction limit, and - identifying transactions where VAT has been recorded incorrectly on the procurement card system. <p>A separate exercise to analyse supplier spend on procurement cards was carried out by an officer in the procurement team prior to this audit. That analysis was incorporated into our testing rationale.</p> <p><u>Risk</u></p> <p>A lack of independent checks may result in inappropriate expenditure not being identified, leading to a risk of fraud.</p> <p>Inappropriate use of a procurement card, leading to a lack of integrity, objectivity and discreditable conduct.</p> <p>Procurement processes which are not being adhered to</p>	<p>and/or why we considered it inappropriate use of the card.</p>		

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No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	or which are inefficient may not be identified.			
2	<p><u>Transactions not submitted timely and unauthorised transactions outstanding</u></p> <p>We noted from our sample of 20 transactions that:</p> <p>(i) 9 transactions were not submitted timely (e.g. one after 215 days of the 'Finance posting' date)</p> <p>(ii) 5 transactions were not approved timely (e.g. one after 107 days of the 'Expenditure submitted' date)</p> <p>A report was provided to us by the Contract and Operations Manager (Exchequer) on 4 October 2019. This showed 882 transactions on the system over six weeks old ie prior to 23 August 2019 and which remained unauthorised. They amounted to a total of £54,256 with the oldest transaction dated 29 January 2018. A further report was provided on 4 December showing 742 transactions outstanding, amounting to £32,708. The email accompanying that report was sent to all card holders and Directors and stated that if transactions were not cleared within one week then use of the card would be suspended until the outstanding transactions had been processed and approved.</p> <p>The procurement card policy and procedures document</p>	<p>Management should :</p> <p>(i) formalise the process of identifying outstanding procurement card transactions and instructing card holders and approvers that all outstanding transactions should be processed within seven days and all transactions should be approved within one month and</p> <p>(ii) run a report of outstanding transactions after one month to ensure that this has been done. Where the instruction has not been complied with the procurement card facility should be withdrawn temporarily from the card holder until those transactions have been cleared.</p> <p>Priority 1</p>	<p>All transactions outstanding over six weeks up to 20th October 19 have now been cleared. A report for transactions up to 30 November 2019 will be issued week commencing 13th January 2020.</p> <p>Procedures are now in place for reports to be run every six weeks. The reports will be issued to card holders and approvers and copied to the relevant Heads of Finance and Directors.</p> <p>Where the transactions remain outstanding a week after the report has been issued, the card will be suspended and the card holder/approver informed.</p>	<p>Completed / Assistant Director Exchequer Services</p>

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No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>states:</p> <p>(i) the card holder should ensure that the invoice is paid within 14 days of receipt which implies that they should submit the expenditure before 14 days of the Finance posting date.</p> <p>(ii) Approvers should reject or approve the statements in a timely manner which must not exceed one month.</p> <p>The following automated email is sent to card holders each month:</p> <p>‘As we are approaching the end of the month, can you please ensure that any transactions you have outstanding are processed urgently so that payments are allocated against the appropriate budget codes.</p> <p>Please remember that if you have transactions outstanding for more than 6 weeks, which includes not yet authorised by your Approver, then you are at risk of your card being suspended.</p> <p>You are spending public money on your Purchasing Card and it is important that you process your transactions within an acceptable time-frame for the sake of transparency.</p> <p>If you are claiming VAT you MUST have a valid VAT receipt/invoice, which must be scanned onto the system against the relevant transaction.’</p>			

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No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p><u>Risk</u></p> <p>Inappropriate expenditure might be incurred by card holders.</p> <p>There is an inaccurate budgetary position and funds may not be available due to outstanding expenditure awaiting approval.</p>			
3	<p><u>Supporting documents for VAT reclaim were missing</u></p> <p>Our sample testing identified the following:</p> <p>8 out of 20 transactions did not have the VAT correctly accounted for,</p> <p>6 out of 20 transactions showed the VAT claimed but without a supporting VAT invoice uploaded,</p> <p>8 out of 20 transactions showed that the VAT had not been reclaimed when it should have been,</p> <p>The incorrect rate of VAT had been claimed in 2 out of 20 transactions.</p> <p>The Council's VAT Officer has created a flowchart setting out the process for recovering VAT on</p>	<p>Card holders and approvers should be reminded that :</p> <p>(i) VAT should be claimed where eligible, with the VAT field on the procurement card system completed correctly with a clear indication of VAT claimed,</p> <p>(ii) a valid VAT invoice must be uploaded to support any VAT claimed and</p> <p>(iii) where checks (as proposed in recommendation 1) show that this practice has not been followed consistently by a card holder, the card facility should be withdrawn.</p>	<p>A VAT flowchart guidance is available on the procurement card site on OneBromley for card holders and approvers.</p> <p>Monthly email reminders are also being issued now.</p> <p>VAT checks will be carried out from February. Where the checks reveal that this has not been followed consistently by a card holder, card suspension</p>	<p>Completed / Assistant Director Exchequer Services</p> <p>February 2020 / Contract and Operations Manager</p>

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	<p>procurement card transactions and this is given to new card holders when they collect their card from Finance Directorate. It has now been uploaded to onebromley.</p> <p><u>Risk</u></p> <p>VAT is not accounted for correctly leading to a loss of income for the Council.</p> <p>Where VAT has been claimed incorrectly the Council could be fined.</p>	<p>Priority 1</p>	<p>will be considered.</p>	
4	<p><u>Procurement card policy and procedures</u></p> <p>The procurement card policy and procedures document, dated August 2017, which was in existence prior to the start of this audit, did not specify any excluded categories of expenditure except for cash withdrawals.</p> <p>The document has since been revised and states that the purchase of gifts and numerous other categories of expenditure, should not be made.</p> <p>Responsibility for the administration of procurement cards transferred to the Council's Exchequer Contractor on 1 October 2019 and their new role and responsibilities are not reflected in the guidance.</p>	<p>Management should revise and re-issue the current procurement card policy and procedures document, taking into account the findings and recommendations arising from this audit, the tax and National Insurance Contribution issues arising from gifts and meals purchased for individuals and the role and responsibilities now undertaken by the Council's Exchequer Contractor.</p> <p>Priority 2</p>	<p>The Procurement Team will update and publish the Procurement Card Policy, addressing in particular the areas identified through the audit. Following the completion of the document, a further decision will be sought on the ownership of the policy in future.</p>	<p>The estimated timescale for finalisation of the policy document is March 2020; however, this timescale may be dependent upon the outcome of other actions arising from this audit.</p> <p>Assistant Director, Governance & Contracts / Head of</p>

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No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>We also identified tax and National Insurance Contribution (NIC) issues arising from the use of procurement cards to buy gifts and meals for staff. These have been addressed in a separate audit report but the implications of tax and NIC on items purchased will need to be included in the revised guidance.</p> <p>Furthermore, reference is made in the procurement card guidance to the use of Oyster cards. The Procedure Notes for buying and topping-up Oyster Cards are documented on onebromley. They state that further information on the purchase of cards and the records required to be kept can be obtained from Internal Audit. This is not however the role and responsibility of Internal Audit and the ownership should be re-assigned.</p> <p><u>Risk</u></p> <p>Card holders and approvers may not be aware of the procedures to be followed, leading to the risk of inappropriate expenditure.</p>			Procurement
5	<p><u>Split or disaggregated transactions and description of transactions not entered on the system</u></p>	<p>Card holders and approvers should be reminded that: (i) they cannot split transactions</p>	<p>The Procurement Card Policy provides card holders and approvers with clear instructions that transactions should not be</p>	

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No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>Our testing of transactions made between 1 August 2018 and 31 July 2019 identified 12 instances of card holders making more than one transaction to the same supplier on the same day. In 11 instances expenditure with the supplier had been more than £500 and for 10 of these it was apparent that expenditure over £500 had been split into two or more transactions. This could have been to avoid having to seek authorisation at a higher level of authority.</p> <p>The procurement card policy and procedures document states that: ‘You must not split the cost of goods or services that exceed the £500 limit to enable the authorisation to go through. Card holders and approvers are reminded that transaction splitting or disaggregation is in contravention of the Council’s Financial Regulations and the Contract Procedure Rules and, if it occurs, will result in the withdrawal of the card(s) and any sanctions allowed for under Financial Regulations being taken.’</p> <p>The field for entering the transaction description on the procurement card system is a free text field but the system does not force it to be completed. We identified 676 transactions between the period 1 August 2018 and 31 July 2019 which had no description entered for the transaction made but had been approved by the Card holder’s manager.</p>	<p>to avoid having to seek authorisation at a higher level of authority and</p> <p>(ii) a description of the transaction should always be entered on the procurement card system.</p> <p>If the checks carried out as recommended in recommendation 1 identify that transactions have been split without sufficient reason or the transaction description has not been entered, then the card facility should be withdrawn.</p> <p style="text-align: center;">Priority 2</p>	<p>split and that a description of the transaction should always be provided.</p> <p>In addition quarterly email reminders are now being issued to card holders and approvers.</p>	<p>Completed / Assistant Director Exchequer Services</p>

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No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p><u>Risk</u></p> <p>Financial limits are not adhered to leading to the risk of inappropriate expenditure being made by card holders.</p> <p>Where the details and purpose of the transaction are not recorded, there is a risk of fraudulent transactions being made and approved.</p>			
6	<p><u>Reports which can be run from the procurement card system</u></p> <p>During our audit we identified that there are numerous reports which can be run from the procurement card system to provide management information on purchases made. These include a report of purchases which have not had supporting receipts/invoices uploaded and there are other report options. They have not yet been explored and introduced by management.</p> <p><u>Risk</u></p> <p>A lack of independent checks may result in inappropriate expenditure not being identified, leading to a risk of fraud.</p> <p>Procurement processes which are not being adhered to or which are inefficient may not be identified.</p>	<p>Management should explore and use the management information reports which can be obtained from the procurement card reporting system.</p> <p>Priority 2</p>	<p>The Contract and Operations Manager will explore what reports are available from the Council's banking services system to assist the managers responsible for ensuring the procurement cards are being used appropriately and the policy is being adhered to. Managers will be advised of the reports available and how to access them.</p>	<p>February 2020 / Contract and Operations Manager</p>

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No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
7	<p><u>Travel and subsistence</u></p> <p>We identified a number of meals purchased using procurement cards. These included meals consumed by officers attending evening meetings of the Council or meeting with external stakeholders. This is allowed within the terms of the existing subsistence policy. We noted that they had only been made by one Directorate. Where the card had been used to purchase several meals in one transaction, implying that these were for more than one person, the names of the other people had not been recorded on the procurement card system ie description field. Where we could identify the name of the card holder, we confirmed that there had been no duplicate claims made for these transactions via the payroll or imprest accounts.</p> <p>The Council’s policy on travel and subsistence is dated 2013 and needs to be reviewed and updated. It does not have an owner or review date. Whilst it is entitled ‘Travel and subsistence’ there is no reference in the document on how or when to claim travel expenses.</p> <p>Travel and subsistence can now be claimed on-line via the payroll and this should be the primary method of reimbursement, with supporting documents uploaded to support each claim.</p>	<p>Management should review the travel and subsistence policy, ensuring that it sets out clear guidance on these subjects, subsistence rates are uplifted, overnight rates are included and the document is given a future review date.</p> <p>Priority 2</p>	<p>This policy will be reviewed by 31 March 2020.</p>	<p>31 March 2020 Head of HR Business, Systems and Reward</p>

REVIEW OF PROCUREMENT CARDS

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No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
8	<p><u>Records of approved procurement card request forms were not kept</u></p> <p>We did not find records of the approved procurement card request form with the authorised approver's signature. We identified that these forms are shredded once the procurement card arrives. We only saw the records of procurement card acceptance form, signed by the holder at the time of receiving it.</p> <p><u>Risk</u></p> <p>Evidence of the approval for a procurement card to be provided may not be available in the event of a future enquiry by management or an investigation.</p>	<p>An electronic or a physical copy of the procurement card request form should be kept for future reference.</p> <p>Priority 2</p>	<p>Copies of approved procurement card request forms have been kept since October 2019. The Council's Exchequer Services provider procedures have been updated to reflect the requirement to retain a scanned copy.</p>	<p>Completed / Assistant Director Exchequer Services</p>
9	<p><u>Information provided to new card holders</u></p> <p>During discussion with a new card holder we identified that she had not been provided with any guidance when receiving her procurement card. We referred her to the intranet page on onebromley where the current version of the guidance, together with instructions for card holders and approvers can be found.</p> <p>Her card had been issued by the Senior Finance Officer at the time when the Council's Exchequer Services provider was in the process of taking over the arrangements for issuing procurement cards so there is</p>	<p>Management should ensure that new procurement card holders are being provided with links to the procurement card guidance and other necessary information by the Council's Exchequer Services provider.</p> <p>Priority 2</p>	<p>The Council's Exchequer Services provider is now providing new card holders with a link to the procurement card guidance together with other relevant information at the same time as informing them their card is ready for collection.</p>	<p>Completed / Assistant Director Exchequer Services</p>

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No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>a need to check that new card holders are being provided with all the necessary information by the Council's Exchequer Services provider.</p> <p><u>Risk</u></p> <p>New card holders and approvers may not be aware of the procurement card policy and accompanying instructions.</p>			
10	<p>We were unable to evidence a signed complete copy of the contract between the Council and the Council's banking services provider for the procurement card operation. We saw a copy of the signed business application with terms and conditions but this was incomplete because it had pages missing. There was no contract award document evidenced. These matters are being addressed by the Head of Procurement.</p> <p><u>Risk</u></p> <p>The Council is unaware of what it has legally agreed to in its contract with the Council's banking services provider for the procurement card service, leading to a risk of the Council incurring additional and unexpected costs and being unable to meet terms and conditions agreed to.</p>	<p>Management should ensure that a signed complete copy of the contract with the Council's banking services provider is in place, with key individuals aware of the terms and conditions and an electronic copy uploaded to the contracts' database.</p> <p>Priority 2</p>	<p>A signed complete copy of the contract with the Council's banking services provider is in place and is available. The document has been uploaded to the Contracts Database.</p> <p>Authorisation for retrospective contract award is being regularised and will be completed by 31 January 2020.</p>	<p>Implemented</p> <p>31 January 2020 Assistant Director, Governance & Contracts / Head of Procurement</p>

OPINION DEFINITIONS

Assurance Level

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.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.

Recommendation 1 – Detailed findings

Our audit of procurement cards identified a number of instances where procurement cards had been used to purchase gifts and meals for individuals and teams. These are described below and highlight a lack of documented evidence to support the purchase and/or why Internal Audit considered it appropriate to question the use of the card for these purposes.

End of project thank you meal

We identified two transactions which had been made by the same card holder on the same day (28 Nov 2018) at a restaurant in Bromley. They were for a meal attended by 12 people with a total cost of £675.34, split into two transactions of £400.00 and £275.34. The card holder's financial authority limit was £500. We noted that the total cost of the alcohol consumed was £155.55.

The purpose of the meal was described on the procurement card system as an end of project thank you for the team involved on a major project. The card holder had left the Council prior to the start of the audit so we were unable to ask them for more information about this, including who had attended the meal. We have now identified who attended the function and have passed these details to HR because there are tax and NIC implications arising from this.

The two transactions had been approved on the system by the relevant authorising officer and we discussed the circumstances with him. He told us that the meal had been agreed by the former Chief Executive at that time but he had no documentary evidence confirming this. He had been aware that it was due to take place but no limit had been set on the total cost.

Leaving lunches

We identified two instances of 'leaving lunches' purchased using a procurement card. These were described on the procurement card system as 'Leaving lunch for (name of officer leaving)'. One was on 25 February 2019 and totalled £118.93. The other was on 18 April 2019 and totalled £64.29. The card holder told us that they had been agreed each time by the Head of Service. We noted that for the February 2019 lunch the Head of Service who agreed it was also the officer leaving. We have passed these details to HR because there are tax and NIC implications arising from this.

Team lunches

We identified a payment of £120.10 made by a procurement card holder on 15 May 2019 for a 'team lunch'. We have passed these details to HR because there are tax and NIC implications arising from this.

Department store gift card

We identified one transaction of a Department store gift card costing £99.99 for a long service award. We have passed the details to HR because there are tax and NIC implications arising from this.

Gift of engraved pen

An engraved pen costing £58.64 had been purchased for an employee to commemorate his long service. We have passed these details to HR because there are tax and NIC implications arising from this.

Purchase of a 'Company A' gift card

One of the transactions in our testing sample was a payment of £1,000 on 23 November 2018 for a 'Company A' gift card. The transaction had been made by the procurement card holder and approved by the Head of Service. We ascertained that this was for an officer who had been given a mini merit award. The circumstances arising from this are detailed in the separate report on tax and NIC issues. This was a departure from the usual procedure for procuring merit award vouchers. The tax and NIC was not paid at the time, resulting in a late payment declaration to HMRC.

Gift of flowers

A gift of flowers costing £34.29 had been purchased for an officer on long term sick leave.

Whilst not a gift, we also identified that an ipad had been purchased from 'Company B' at a cost of £394.95 for a vision impaired pupil in a mainstream school that is supported by a team within the Council. When we asked them why this had not been purchased via the corporate IT contract they informed us that they were unaware that it could have been obtained in that way.



**INTERNAL AUDIT FINAL REPORT
CHIEF EXECUTIVE'S DEPARTMENT**

TAX AND NATIONAL INSURANCE CONTRIBUTION ISSUES ARISING FROM THE AUDIT OF PROCUREMENT CARDS

Issued to: Charles Obazuaye, Director of Human Resources and Customer Services
Emma Downie, Head of HR Business, Systems and Reward

Cc: Peter Turner, Director of Finance

Prepared by: Principal Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 10 December 2019

Report No.: CEX/11/2019/AU/TAX

TAX AND NATIONAL INSURANCE CONTRIBUTION ISSUES ARISING FROM AUDIT OF PROCUREMENT CARDS

INTRODUCTION AND SCOPE

1. This report sets out the tax and National Insurance Contributions (NIC) issues arising from our audit of procurement cards. They are reported here separately, prior to the issue of the procurement card audit report, to enable them to be addressed by management as a matter of urgency.
2. We have not given an Audit Opinion because we have not assessed the full range of controls in this area. As a result of our findings however we have made recommendations in the table at Appendix A to address the risks identified. Controls we expect to see in place are designed to minimise the Council’s exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
3. We would like to thank all staff contacted for their help and co-operation.

AUDIT OPINION	
Not given because we have not assessed the full range of controls in this area	(Definitions of the recommendation ratings are shown in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
2	1	0

SUMMARY OF FINDINGS

4. Our audit of procurement cards has identified instances where procurement cards have been used to purchase a ‘thank you’ meal for officers at the end of a project, gifts for individuals to celebrate long service, team meals and a gift card as part of the merit award scheme. We identified that there was tax and NIC payable on these but we also found that it had not been paid. We recognise that the tax and NIC implications are not widely known by officers of the Council, but it does however leave the Council subject to a penalty charge and interest payable to HMRC for late disclosure. The PAYE

TAX AND NATIONAL INSURANCE CONTRIBUTION ISSUES ARISING FROM AUDIT OF PROCUREMENT CARDS

Settlement Agreement (PSA) which the Council has arranged with HMRC only includes merit award scheme payments. Therefore other gifts and meals will have to be declared by the individuals who received the 'benefit in kind' or alternatively the Council may have to seek permission from HMRC to pay the tax and NIC due, together with any penalty charge arising.

5. When reviewing documentation relating to the PSA for merit awards we also identified merit awards made to individuals who are not permanent employees of the Council eg agency staff and contractors. No tax or NIC had been paid on these. Our research concluded that tax and NIC is payable on these awards and this has now been confirmed by the Council's tax advisors. Advice should be sought from the Council's tax advisors to determine if tax and NIC is payable for previous years' awards which have been made to non-permanent employees and contractors.
6. Our findings indicate that there is a lack of awareness of the implications of tax and NIC for staff who are purchasing items or meals which may fall within the 'benefits in kind' regulations set out by HMRC. Management/The Leadership Team should consider whether it is appropriate for managers to be purchasing "small item gifts" or/and meals for their staff which may fall within the 'benefits in kind' HMRC regulations, using the Council's Purchasing card or any other means.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

7. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B gives the definition of the recommendation ratings.

TAX AND NATIONAL INSURANCE CONTRIBUTION ISSUES ARISING FROM AUDIT OF PROCUREMENT CARDS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p>Our audit of procurement cards identified instances where procurement cards had been used to purchase gifts and meals for individuals and teams. These included :</p> <p><u>End of project 'thank you' meal</u></p> <p>We identified two transactions which had been made by the same card holder on the same day (28 Nov 2018) at a restaurant in Bromley. They were for a meal attended by 12 people with a total cost of £675.34, split into two transactions of £400.00 and £275.34.</p> <p>The purpose of the meal was described on the procurement card system as an end of project thank you. We understand from the authorising officer that the principle of a 'thank you' meal had received approval from the previous Chief Executive. The card holder had left the Council prior to the audit so we were unable to ask them for more information about this, including who had attended the meal. We have now identified who attended the function and have passed these details to HR.</p> <p><u>Leaving lunches</u></p> <p>We identified two instances of 'leaving lunches' purchased using a procurement card. These were described on the procurement card system as 'Leaving</p>	<p>Management should seek advice from the Council's tax advisors and decide whether the Council or the individuals concerned should pay the tax and NIC due on these gifts and meals purchased, together with any subsequent penalty charge and interest payable to HMRC for late disclosure.</p> <p style="text-align: center;">Priority 1</p>	<p>The Council's tax advisor's advice is that the 'Thank you Meal' is a taxable benefit. Having obtained that guidance we will refer this matter to COE to discuss at its meeting on 3 December and decide the action to be taken. It is being recommended that the Council accepts the tax liability on behalf of the "Thank you meal" beneficiaries on this occasion, partly because they were not aware of or told about the tax implications.</p> <p><u>Audit update:</u></p> <p>At the meeting of COE on 3 December, it was agreed that the Council would pay to HMRC the tax and NIC due on these gifts and meals purchased.</p> <p>As above, but for the other instances listed here, management need to determine</p>	<p>31 December 2019</p> <p>COE/CLT</p> <p>COE/CLT</p>

TAX AND NATIONAL INSURANCE CONTRIBUTION ISSUES ARISING FROM AUDIT OF PROCUREMENT CARDS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>lunch for (name of officer leaving)’. One was on 25 February 2019 and totalled £118.93. The other was on 18 April 2019 and totalled £64.29. The card holder told us that they had been agreed each time by the Head of Service. We noted that for the February 2019 lunch the Head of Service who agreed it was also the officer leaving.</p> <p><u>Team lunch</u></p> <p>We identified a payment of £120.10 made by a procurement card holder on 15 May 2019 for a ‘team lunch’.</p> <p><u>Department Store gift card</u></p> <p>We identified one transaction of a Department Store gift card costing £99.99 for a long serving employee who was retiring.</p> <p><u>Gift of engraved pen</u></p> <p>An engraved pen costing £58.64 had been purchased for an employee to commemorate his long service.</p> <p>Under the HMRC guidance setting out the conditions for statutory exemption for ‘trivial benefits’ it states:</p> <ul style="list-style-type: none"> • The cost of the benefit does not exceed £50. 		<p>whether managers should be allowed to use Council resources be it via the purchasing card or any other means.</p>	

TAX AND NATIONAL INSURANCE CONTRIBUTION ISSUES ARISING FROM AUDIT OF PROCUREMENT CARDS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<ul style="list-style-type: none"> • “Trivial benefits include benefits provided solely for staff welfare purposes such as a bunch of flowers on the birth of a child or a bereavement” are exempt. • Benefits provided in recognition of services provided such as long service awards and social events as a team-building event or as a thank-you for good results in the year will not qualify as trivial benefits. • If an employer provides their employees with benefits on a regular or frequent basis, HMRC will consider whether they are linked to the employee’s services. <p><u>The PAYE Settlement Agreement (PSA)</u></p> <p>The PAYE Settlement Agreement (PSA) which the Council has arranged with HMRC includes merit award scheme payments for permanent staff only. Therefore the meal and gifts highlighted above will have to be declared by the individuals who received the ‘benefit in kind’ or alternatively the Council will have to seek permission from HMRC to pay the tax and NIC due, together with any penalty charge and interest arising due to late payment.</p> <p><u>Risk</u></p> <p>There is a risk that individuals or the Council could be charged and/or investigated for late disclosure of tax</p>			

TAX AND NATIONAL INSURANCE CONTRIBUTION ISSUES ARISING FROM AUDIT OF PROCUREMENT CARDS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>and NIC payable on benefits in kind received.</p> <p>There is a risk to the Council’s reputation resulting from not paying tax and NIC timely, accurately and complete.</p>			
2	<p><u>Purchase of a ‘Company A’ gift card and tax implication of merited reward vouchers to agency staff/staff of contractors</u></p> <p>One of the transactions in our testing sample was a payment of £1,000 on 23 November 2018 for a ‘Company A’ gift card. The transaction had been made by the procurement card holder and approved by the Head of Service.</p> <p>We ascertained that this was for an officer who had been given a mini merit award of a £1,000 Shopping Mall gift card by the former Chief Executive who, we were informed, agreed to the Shopping Mall gift card being voided and a ‘Company A’ gift card for £1,000 being purchased using the procurement card.</p> <p>We were informed by the Head of Service that, prior to December 2018, vouchers were purchased either from the Council’s gift card reward provider, which offered a wide choice of retail vouchers, or the flex-e-card portal where the individual preferred a Shopping Mall voucher. The Head of Service also informed us that the</p>	<p>Management should arrange to :</p> <p>(i) facilitate payments to HMRC for the tax and NIC which is due on merit awards paid to individuals who are not permanent employees of the Council eg agency staff and contractors and</p> <p>(ii) seek advice from the Council’s tax advisors on declaring to HMRC merit award payments made in previous years to these individuals. If their advice is to declare these payments to HMRC then that should be done.</p> <p>Priority 1</p>	<p>Agreed.</p> <p>(i) We (HR) will contact HMRC via the Council’s payroll provider to sort out the tax and NIC liability for these payments.</p> <p>(ii) We will also seek advice from the Council’s tax advisors on declaring payments made in previous years to agency staff and contractors. This will then be referred to COE to discuss at its meeting on 3 December.</p> <p>As far as the tax due on the £1,000 ‘Company A’ gift card-merited reward is concerned, the tax and NIC have now been paid/sorted out. It was a few weeks late. The deadline was 19 October 2019. The Council’s payroll provider raised the payment on 19 November 2019.</p>	<p>31 December 2019</p> <p>Director of HR and CS.</p>

TAX AND NATIONAL INSURANCE CONTRIBUTION ISSUES ARISING FROM AUDIT OF PROCUREMENT CARDS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>'Company A' gift card was an option to choose via the Council's gift reward provider and had been purchased in this way previously, although issues had been encountered with the use of the 'Company A' gift vouchers after they had been purchased from the Council's reward provider. The Council's reward provider had issued large amounts of vouchers in very small denominations, as well as issuing old style vouchers, which caused concerns to be raised when these were used.</p> <p>We confirmed that the £1,000 from the voided Shopping Mall gift card had been credited back to the merit awards account. Spreadsheets of all merit award payments are prepared by HR and sent to the Council's payroll provider, so that relevant tax and NIC can be paid to HMRC.</p> <p>This merit award payment had however been omitted from the relevant spreadsheet and had not been paid. An email with the details was sent subsequently to the Council's payroll provider so that the tax and NIC could be declared as a late payment.</p> <p>When reviewing the documentation we also identified that the spreadsheets of merit awards sent to the Council's payroll provider included details of merit awards made to individuals who are not permanent employees of the Council eg agency staff and staff of</p>			

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TAX AND NATIONAL INSURANCE CONTRIBUTION ISSUES ARISING FROM AUDIT OF PROCUREMENT CARDS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>contractors. HR informed us that no tax or NIC was paid on these. From our research we concluded that tax and NIC is payable on these awards and this has been confirmed by the Council's tax advisors.</p> <p><u>Risk</u></p> <p>Risk that individuals or the Council could be investigated for non-disclosure of tax and NIC payable.</p> <p>There is a risk to the Council's reputation resulting from not paying tax and NIC timely, accurately and complete.</p>			
3	<p><u>Policy on gifts and benefits to staff</u></p> <p>Our findings indicate that there is a lack of awareness of the implications of tax and NIC for staff who are purchasing gift items or meals which may fall within the 'benefits in kind' regulations set out by HMRC.</p> <p>In part, this is because there was no reference in the procurement card guidelines of the tax and NIC implications when purchasing gift items of meals for staff.</p> <p><u>Risk</u></p> <p>Risk that staff are not aware of what constitutes</p>	<p>HR should put in place a policy relating to gifts and benefits to staff and ensure that all staff are made aware of it.</p> <p>Priority 2</p>	<p>The Council has a policy in place on Gifts and Hospitality with a particular focus on the relationship between Council staff and their external customers including service users, contractors and any other external agencies. This policy may be tweaked or expanded to deal with the internal relationship between managers and their staff, and whether or not the former can give gifts e.g. meals, flowers and similar small gift items to their staff, other</p>	<p>31 December 2019</p> <p>COE/CLT</p>

TAX AND NATIONAL INSURANCE CONTRIBUTION ISSUES ARISING FROM AUDIT OF PROCUREMENT CARDS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>'benefits in kind', leading to staff being unaware of the tax and NIC liabilities which may arise.</p>		<p>than the merited reward vouchers, using the Council's purchasing cards or any other means.</p> <p>Once agreed by COE, we will publish it on onebromley and ensure that all staff are made aware of it through relevant communication channels including the Chief Executive's monthly newsletter and managers' briefings.</p> <p>However, given the proper context here, a look or re-look at the existing LBB Purchasing Card – Cardholder Procedure should be considered by the appropriate team/service (possibly Finance and/or the Corporate Commissioning /Procurement Team), with a view to reiterating and/or strengthening the messages/wordings in the procedure where it relates to gifts and hospitality. In particular Para 2.4 states inter alia that "The Purchasing card must not be used for gifts and hospitality."</p>	

TAX AND NATIONAL INSURANCE CONTRIBUTION ISSUES ARISING FROM AUDIT OF PROCUREMENT CARDS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding and risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
			<p>Earlier in the same para it says “The Purchasing card must only be used for appropriate Council business ... This does not include goods or services where corporate arrangements exist...”</p> <p>The mini merited reward which is a discretionary award is a good example of an existing arrangement for the so-called “small or trivial’ gift items for staff.</p> <p>Under para 3.1 it states quite clearly, “Under no circumstances should the purchasing card be used to withdraw cash or to purchase gifts or rewards, or any items to be used as payment in kind for any employee’.</p> <p>The procurement card audit report will recommend that the procurement card guidance is reviewed.</p>	

TAX AND NATIONAL INSURANCE CONTRIBUTION ISSUES ARISING FROM AUDIT OF PROCUREMENT CARDS

APPENDIX B

Recommendation ratings

Risk rating	Definition
	<p>A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.</p>
	<p>A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.</p>
	<p>A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.</p>



**FINAL INTERNAL AUDIT REPORT
PUBLIC HEALTH DEPARTMENT**

REVIEW OF SUBSTANCE MISUSE SERVICES

Issued to: Mimi Morris-Cotterill, Assistant Director, Programme Delivery, Public Health
Nada Lemic, Director of Public Health (Final only)
James Mullender, Head of Finance, Adult Social Care, Health and Housing (Final only)

Prepared by: Principal Auditor

Reviewed by: Head of Audit & Assurance

Date of Issue: 16th December 2019

Report No.: ECHS/15/2019/AU

REVIEW OF SUBSTANCE MISUSE SERVICES

INTRODUCTION

1. This report sets out the results of our audit of Substance Misuse Services. The audit was carried out as part of the work specified in the 2019-20 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council’s exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The contracts for the provision of both the Adults’ and the Young People’s Substance Misuse services were awarded to Contractor A from 1st December 2018, for a period of three years plus the option to extend for up to a further two years, the values of which are depicted in Table 1 below:-

Table 1

	Annual value (£000)	Whole life value, including extension options (£000)
Adults’ Substance Misuse Services	1,349	6,745
Young People’s Substance Misuse Services	149	745

The **Adults’ Substance Misuse service** is an integrated provision for drug and alcohol users in the borough, including those misusing New Psychoactive Substances (NPS) and over the counter/prescribed medicines, and comprises the following key elements:-

- Level 1: Identification & Engagements
- Level 2: Treatment & Recovery
- Level 3: Aftercare & Reintegration

REVIEW OF SUBSTANCE MISUSE SERVICES

The Service supports circa 800 people of which 415 are currently in structured treatment, which can be broken down as follows:-

Substance	
Opiate	254
Non-Opiate	60
Alcohol and Non-Opiate	72
Alcohol	29
Total:	415

The **Young People’s Substance Misuse service** supports young people (aged 18 years and under) residing in Bromley or participating in education or training in Bromley, to gain high quality information and advice about substance misuse, become abstinent, build resilience and make informed choices in relation to risky behaviours. The Service focuses on prevention and partnership working as well as offering treatment to young drug and alcohol users and support around resilience and recovery, and comprises the following key elements:-

- Prevention
- Partnership working
- Treatment & Recovery
- Aftercare

3. We would like to thank all staff contacted during this review for their help and co-operation.

REVIEW OF SUBSTANCE MISUSE SERVICES

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference, the objective of which was to review the Substance Misuse contract to include Substance Misuse spot purchasing for residential detox and rehabilitation, needle exchange schemes and supervised administration of methadone (SAM) delivered by pharmacists.
5. The key risks reviewed within this audit were:-
 - Management information is not obtained from the contractor on a timely basis or checked for accuracy
 - Contractor performance is not measured or monitored against performance standards and milestones as set out in the contract
 - The financial position is not monitored throughout the term of the contract

AUDIT OPINION

6. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Substantial Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	0	1

REVIEW OF SUBSTANCE MISUSE SERVICES

SUMMARY OF FINDINGS

7. Our testing identified the following issue which we would like to draw to Management's attention:-

Raising of Orders

For both the Adults' and Young People's Substance Misuse Contracts, official Orders had not been raised until March 2019, when the first quarterly payment was due, although the Contracts commenced on 1st December 2018.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

8. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

REVIEW OF SUBSTANCE MISUSE SERVICES

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p><u>Raising of Orders</u> An Oracle data extract reflected that orders for both the Adults' and Young People's Substance Misuse Contracts had not been raised until March 2019, when the first quarterly payments were due, although the Contracts commenced on 1st December 2018:-</p> <p>Adults' Substance Misuse Services, Order Number 4211669 raised 21st March 2019</p> <p>Young People's Substance Misuse Services, Order Number 4211687 raised 22nd March 2019.</p>	<p>If orders are not raised in a timely manner, commitments will not be reflected in the budget monitoring.</p>	<p>Whilst on both occasions it was evidenced that the Client was aware of the liability, an official Order should be raised at commencement of the Contract for goods, works and services to ensure that financial commitments are accurately reflected in the budget monitoring.</p> <p style="text-align: center;">Priority 3</p>	<p>Revise the contract mobilisation process as follows:</p> <p>a) Include raising of orders in the check list of all Public Health contract mobilisation process.</p> <p>b) Advise relevant members of the Public Health Business Support Team to raise orders at the start of each Public Health contract.</p> <p>c) Advise Finance of contract value and date of when first quarterly payment commences to ensure commitments are accurately reflected in the budget monitoring.</p>	<p>Assistant Director, Programme Delivery, Public Health 23 December 2019</p>

OPINION DEFINITIONS

Assurance Level

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.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.

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**FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT**

MAIN ACCOUNTING SYSTEM AND GENERAL LEDGER 2019/20

Issued to: Tracey Pearson, Chief Accountant
Emma Richardson, Head of Financial Systems Team
James Mullender, Head of Finance ASC Health & Housing
David Bradshaw, Head of Finance Education, Children and Families
Peter Turner, Director of Finance

Prepared by: Senior Auditor, (Audit contractor on behalf of London Borough of Bromley) and Senior Manager (Audit contractor on behalf of London Borough of Bromley)

Reviewed by: Head of Audit and Assurance

Date of Issue: 31 January 2020

Report No.: CEX/08/2019/AU

MAIN ACCOUNTING SYSTEM AND GENERAL LEDGER

INTRODUCTION

1. This report sets out the results of our internal audit (audit) of the Council's Main Accounting System and General Ledger. The audit was carried out as part of the work specified in the 2019-20 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The Council utilises the Oracle system to administer accounting processes, including all journal transactions and to provide sufficient management information to enable effective monitoring of the Council's accounts. Audit coverage included examination of: compliance with legislation and regulations; roles and responsibilities; completeness and accuracy of records; processing of journal entries; processing and approval of virements; clearance of suspense items; reconciliations with feeder systems; management information and reporting and governance.
3. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 27 September 2019.
5. The following were considered to be the key risk areas inherent to the Council's main accounting system / general ledger:
 - Where staff do not act in compliance with policies and procedures, there is an increased risk that financial transactions may not be administered in accordance with legal, regulatory and accepted policy requirements.
 - If staff are not aware of their roles and responsibilities, there may be overlap and unnecessary duplication in some roles, and conversely there may be gaps or insufficient coverage of some areas. Staff may develop inconsistent working practices.
 - Where the collection of transactions is incomplete and inaccurate, or where insufficient coding arrangements exist, there is an increased risk that the accounts may become materially misstated or become inconsistent with accounting policies. The full cost of each service may therefore not be reflected accurately. Cost centres may be set up, amended or deleted without sufficient authorisation.
 - Where journals are not processed correctly, then the accounts may become materially misstated and may lead to incorrect management actions being taken in response to poor management of financial information.

MAIN ACCOUNTING SYSTEM AND GENERAL LEDGER

- Where transactions are allowed to sit in the suspense account without being allocated to the correct account code there may be income not appropriately allocated leading to inappropriate recovery action being taken. Where access to the suspense account is not controlled, there is an increased risk that inappropriate movements may be made without identification.
- Where regular reconciliations do not take place between the general ledger and income collection systems, bank accounts etc. there is an increased risk that general ledger will not be accurate thus leading to inaccurate financial reporting.
- Without timely and relevant information, managers and members will not be able to make informed decisions which could result in decisions being taken that are not the most appropriate or involve the Council taking on additional costs.
- Where governance is weak, there may be problems in long-term delivery and the service may not achieve best value.

AUDIT OPINION

6. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION		
Reasonable Assurance		(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)
Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	1	2

SUMMARY OF FINDINGS

7. Controls noted to be in place and working effectively, based on the audit testing conducted, included:
- The Council’s Finance staff have access to several local procedure documents including expected processes for enacting journals and the timetable for the annual budget setting process.

MAIN ACCOUNTING SYSTEM AND GENERAL LEDGER

- Responsibility for the completion of specific tasks, including the processing of new journals, the approval for setting up subjective account codes and determining access to the Oracle system, is clearly assigned to individuals and teams.
 - For new cost centres to be set up, a form is required to be completed and submitted to the Council's Financial Systems Team. For a sample selected, in all cases a form was completed and the details evidenced as reviewed by the Council's Financial Systems Team.
 - In order for new account codes to be created, forms are required to be completed and then submitted to the Financial Systems Team, which are then routed to the Senior Accountant for approval. Sample testing confirmed this process was followed.
 - Only balanced journals are permitted to be posted onto the Oracle system.
 - Sample testing of 10 budget virements showed that, in all cases examined, the virement was supported by documentation and had been authorised in accordance with the Council's Financial Regulations and Procedures.
 - The Council's Error Code Suspense account is cleared consistently on a monthly basis.
 - The Full Budget Monitoring (FBM) system enables budget managers to perform monthly monitoring.
 - A quarterly review of the Council's budget is presented at meetings of the Council's Executive and PDS committees.
8. We would however like to bring to management attention the following issues:
- The Council's Financial Regulations and Procedures are dated November 2015, but are required to be reviewed every three years. Evidence of a 2018 review could not be demonstrated.
 - A summary is not maintained detailing the results of the quarterly journal testing undertaken by senior management within the Finance teams.
 - The Finance Team does not maintain a log of their control account reconciliations. The Financial Information System (FIS) team maintains a log of their control account reconciliation however the FIS team's log was not reviewed as part of the audit. There was no independent review or oversight of the reconciliations performed of the control accounts.

In addition to the above matters raised within this report, as part of the Creditors and Starters and Leavers audits undertaken as part of the 2018/19 audit plan, issues were identified in respect of password control and access to the Oracle system. Recommendations were raised, and agreed by management, including that new Oracle users or changes to user accounts

MAIN ACCOUNTING SYSTEM AND GENERAL LEDGER

should only be set up and processed in accordance with the authorised signatory listing. These recommendations were under review and will be followed up by Internal Audit. At the time of writing this report, these recommendations were yet to be fully implemented and have been considered in determining the assurance rating provided.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

**REVIEW MAIN ACCOUNTING SYSTEM AND GENERAL LEDGER
DETAILED FINDINGS AND ACTION PLAN**

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p><u>Financial Regulations and Procedures</u></p> <p>The Council has a Financial Regulations and Procedures document in place which are dated November 2015. As stipulated within the Financial Regulations, there is an expected requirement to review at least every three years (by November 2018). However, it was confirmed that no such review had been conducted. It was noted that a review of Financial Regulations is in Q4 of the 2019/20 Audit Plan.</p>	<p>There is an increased risk that staff may not act in accordance with management expectations and that inconsistent practices could be performed by staff. As a result, the Council could suffer long-term reputational and financial damage.</p>	<p>The Council should review the Financial Regulations and Procedures document, including a review over roles and responsibilities, to ensure these are up to date and reflect current procedures.</p> <p>Once updated and approved, these should be made available to staff and any other relevant parties that the Council considers to be appropriate.</p> <p style="text-align: center;">Priority 2</p>	<p>Agreed.</p> <p>A review of Financial Regulations is currently being facilitated by Internal Audit.</p> <p>The updates to the Financial Regulations will incorporate comments/feedback from the Financial Management Team and other relevant officers.</p> <p>Any changes required will be recommended to the Director of Finance.</p>	<p>Head of Audit and Assurance</p> <p>31 March 2020</p>
2	<p><u>Journals Testing</u></p> <p>It was confirmed with the Chief Accountant that journal testing was undertaken for quarter two of the 2019/20 financial year,</p>	<p>There is an increased risk that trends cannot be identified and incorporated into staff learning, if dip sample test results and not</p>	<p>A summary detailing the results of the quarterly journal testing performed by the Finance Team's Senior Management should be maintained and communicated as appropriate.</p>	<p>Agreed.</p>	<p>Financial Management Team</p> <p>Quarter 3 2019/20</p>

**REVIEW MAIN ACCOUNTING SYSTEM AND GENERAL LEDGER
DETAILED FINDINGS AND ACTION PLAN**

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>whereby the journals posted were subjected to review by Senior Management within the Council's Finance Team. Evidence was provided which showed that a sample of 10 journals, concerning different narratives and posted by different Accountants, was selected for review. Evidence was also provided to demonstrate testing undertaken for quarter one of the 2019/20 financial year by the Head of Children's and Young People's Service (CYPS) Finance. However, we were informed that no summary was subsequently maintained or communicated detailing the outcomes of the testing.</p>	<p>recorded and communicated. As a result, future journals may be posted which do not comply with financial regulations, leading to possible material misstatements.</p>	<p>Priority 3</p>		<p>(December testing)</p>
3	<p><u>Control Account Reconciliation</u> At the time of the audit the Principal Accounting Assistant / VAT Officer informed that the Finance Team does not</p>	<p>There is an increased risk that errors remain undetected and the Council's accounts are misstated.</p>	<p>A log of the control account reconciliations should be developed and maintained by the Finance Team to indicate when reconciliations of the control accounts have been completed.</p>	<p>Agreed.</p>	<p>Head of Corporate Finance & Accounting and Head of Finance ASC Health & Housing</p>

**REVIEW MAIN ACCOUNTING SYSTEM AND GENERAL LEDGER
DETAILED FINDINGS AND ACTION PLAN**

**CONFIDENTIAL
APPENDIX A**

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>maintain a log of their control account reconciliations.</p> <p>On enquiry, the Head of Finance ASC Health & Housing informed that the Financial Information System (FIS) team maintains a log of their control account reconciliation. However, this log is not independently reviewed.</p> <p>These are potential concerns as the control gap may lead to issues not being identified and resolved in a timely manner.</p>		<p>The logs of control account reconciliations completed by the Finance team and the FIS team should be subject to independent review on a periodic basis. The completion of this log should serve as a means of highlighting and addressing any future gaps.</p> <p>Priority 3</p>		<p>April 2020</p>

Assurance Level

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.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.

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**FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT**

SCHOOLS FINANCE TEAM (SFT)

**Issued to: David Bradshaw, Head of Finance – Children, Education & Families
Pete Turner, Director of Finance**

Prepared by: Assistant Manager and Manager (for LBB Internal Audit)

Reviewed by: Head of Audit and Assurance

Date of Issue: 27 January 2020

Report No.: CEX/14/2019/AU

SCHOOLS FINANCE TEAM

INTRODUCTION

1. This report sets out the results of our audit of the Schools Finance Team (SFT). The audit was carried out as part of the work specified in the 2019-20 Internal Audit Plan, agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The primary activity of the SFT is:
 - to maintain the Fair Funding Formula in accordance with Department for Education guidelines; and
 - to calculate and pay Early Years, High Needs and Expansion costs to maintained schools and academies.
3. Historically, the SFT function was managed in-house however is now outsourced to a third party the Council's Exchequer contractor. The Council staff who facilitated this role were TUPE'd across to the Exchequer contractor, to aid consistency when the function was outsourced. A Service Level Agreement (SLA) is in place and the Council pays circa £70k p.a. for this service.
4. The Exchequer contractor also offer a suite of sold services to include financial support and external audit services, but this does not fall under the direct contracted arrangements that the Exchequer contractor has with the Council or is a responsibility for the Council.
5. The SFT provides telephone coverage between the hours of 9:00 to 17:00 Monday to Friday (excluding public holidays) for all financial and external audit queries from maintained schools and academies. To deliver the service, the SFT uses a number of Council-maintained systems to manage workloads and/or complete financial, management and information management functions.
6. The SFT Manager was due to leave in December 2019. The SFT is very small and, in the absence of an effective transition, significant loss of organisational knowledge could result, significantly compromising the function's quality and delivery. Given that the Dedicated Schools Grant (DSG) (payable to local authorities under section 14 of the Education Act 2002) is circa £260m, this posed a risk to the Council. We understand that a successful appointment has been made.
7. The existing arrangements are not managed in a manner which is consistent with a contractual relationship. Whilst the Head of Finance – Children, Education & Families does regularly communicate with the SFT Manager, there are currently no established, risk-based, governance controls which can be used by the Council to check and challenge the operational

SCHOOLS FINANCE TEAM

activities of the SFT, neither are there any formal performance indicators or routine reporting in place. Consequently, there is no embedded second line of defence. Internal Audit, as the third line of defence, is therefore unable to provide assurance that the Council has sufficient controls in place to manage this contractual relationship. Given that the SFT Manager has changed it is timely to formulate these arrangements.

8. The audit objective was to review governance and management of the contract to ensure controls are satisfactory and mitigate risk, and consider the resilience of the team to deliver the school finance element of the Exchequer contract. As contract management checks were not as expected, the Auditor was instead deployed (with agreement from the Head of Audit and Assurance) to meet directly with the SFT Manager from the Exchequer contractor, looking to identify / test operational compliance with the activities documented as being the Exchequer contractor's responsibility under the SLA. Our audit included a review of relevant documentation, interviews with key officers and testing of related procedures and processes. It should be noted that this approach to audit fieldwork is not standard practice. Internal Audit usually acts as the 'Third Line of Defence', looking to verify whether the existing internal control environment in place is adequate and effective. In turn, this allows an opinion to be provided regarding the level to which Council management can be assured. Testing would not usually be conducted directly with an outsourced contractor, as it would be expected for the Council to have internal processes established, which enable it to gain ongoing assurances regarding the activity it is paying to be delivered on its behalf.
9. We would like to thank all staff, in both the Council and the Exchequer contractor, who were contacted during this review for their help and co-operation.

AUDIT SCOPE

10. The scope of the audit was outlined in the Terms of Reference issued on 4 October 2019.
11. The following were considered to be the key risks inherent to the Schools Finance Team:
 - Contractor performance is not measured or monitored against performance standards and milestones as set out in the contract;
 - The framework for Schools Finance Governance may not be clearly documented, communicated, clearly understood and applied by all relevant parties;

SCHOOLS FINANCE TEAM

- The Local Authority may fail to provide a framework of support to schools to meet their financial management responsibilities; and
- The calculation of the School’s Budget share and school’s financial accountancy may be inaccurate, resulting in both financial and reputational damage.

AUDIT OPINION

12. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Exchequer Contractor - Reasonable Assurance* <i>(this opinion is in respect of the controls evident from on-site testing conducted with the Exchequer contractor).</i>	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)
Council – Contract Management - Limited Assurance* <i>(this opinion is in respect of the existing ‘contract management’ arrangements employed by the Council, used to gain assurance over ongoing contractor activity, performance and risk exposure).</i>	

* Due to the non-standard nature of this audit fieldwork, a split opinion has been provided. Reasonable assurance has been based on the positive operational controls evidenced by the Exchequer contractor. However, from the Council’s perspective, as control is weak in respect of the formal contract management of this area, the opinion has to be Limited for this element.

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
1	0	0

SCHOOLS FINANCE TEAM

SUMMARY OF FINDINGS

13. Based on our audit testing controls noted to be in place and operating effectively at the time of our review as part of the Council's contract management included:
- There is a SLA in place which defines the service and responsibilities of the parties involved.
 - It was confirmed, in discussion with the Head of Finance – Children, Education & Families, that periodic but informal meetings are held.
14. Based on our audit testing controls noted to be in place and operating effectively at the time of our review as part of the Exchequer contractor's operational management included:
- Process maps have been developed by SFT mapping out, in flowchart form, tasks they are required to complete.
 - The Scheme for Financing Schools was updated by SFT and approved by the Schools Forum in July 2018 (which remains current).
 - The detail of the 2019/20 Dedicated Schools Grant was notified to Schools Forum on 10 January 2019.
 - Maintained schools submit a monthly reconciliation of their bank account to SFT. These are retained on file for all seven maintained schools for 2019/20 and were found to be up to date.
 - Each maintained school is required to submit a quarterly Income and Expenditure Report produced from SIMS FMS (the financial system employed by the maintained schools). It was confirmed this has occurred for the seven maintained schools in 2019/20. Minor exceptions were noted for Downe Primary (none received for Quarter 1 due to IT issues which have since been resolved) and Marjorie McClure School (Quarter 2 gap due to temporary absence of Finance Manager).
 - SFT receive email notification from the Education & Skills Funding Agency (ESFA) of any changes in the funding arrangements of schools, which are then employed to inform changes to the Individual Schools Budget (ISB) calculations.

SCHOOLS FINANCE TEAM

- In 2019/20, each maintained school was notified, in advance of the financial year, of their ISB, which included a statement of their budget share and how it was calculated.
- A spreadsheet is maintained by SFT which calculates the ISB for all maintained and academy schools. It was confirmed, for five maintained and five academy schools, the rates employed to calculate budget shares for primary and secondary schools were consistent.

15. We would however like to bring to management attention the following issues and subject to recommendations below:

- There are currently no established, risk-based, governance controls which can be used by the Council to check and challenge the operational activities of the SFT. There is also no reporting by the service provider against the contractual KPIs. Aligned to this, during our audit we noted that the Head of Schools Finance Support was about to leave the Exchequer contractor. We understand that since the audit fieldwork the service provider has recruited to this post.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

16. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

REVIEW SCHOOLS FINANCE TEAM

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p><u>Contractual Reporting</u></p> <p>Although this audit work was able to verify that the Exchequer contractor have operational processes which appear to be functioning, we cannot offer any assurance that the Council has regular and ongoing internal controls in place to review contractual activity in this area.</p> <p>The SLA identifies 17 Key Performance Indicators (KPIs) covering a range of areas against which service provider performance should be assessed. However, there is currently no reporting by the service provider against the contractual KPIs, nor has the Council asked there to be.</p> <p>The Head of Schools Finance Support is also due to leave</p>	<p>In the absence of internal checks, there is no embedded second line of defence. Internal Audit, as the third line of defence, is therefore unable to provide any assurance that the Council has sufficient controls in place to manage this contractual relationship.</p> <p>There is an increased risk that any poor performance may not be identified and could therefore persist unchallenged. For example, required tasks may not be completed (or be delayed), such as the</p>	<p>The Council should implement formal contract management over its arrangements with the Exchequer contractor to provide its SFT service, which should include performance against SLA and future service provision/succession etc.</p> <p>Any contract monitoring controls implemented should be risk-based, so enabling checks to be increased if KPIs drop or assurances over activities are not achieved.</p> <p>A periodic update on achievement of the contractual KPIs should be requested from the service provider.</p> <p>Priority 1</p>	<p>Agreed that there are not formal meetings regarding KPI's, etc. However there are regular informal meetings and discussions. Checks and balances are also in place through emails, etc which are more formal in nature.</p> <p>The majority of KPI's are specific, not set percentage targets and are therefore achieved or not achieved.</p> <p>Examples of this being:</p> <ul style="list-style-type: none"> • I have direct access to the DSG report with ongoing discussions. The final report is signed off by myself, effectively signing off the KPI. • Reports to the School Forum, DfE submissions and reports to Committee and schools all have defined timeframes and deadlines that have to be achieved. • The schools budget is a part of the overall budget setting process and shows that it has been implemented on a timely basis and carried out accurately. 	<p>Formal monthly meetings are now in place, starting from January 2020</p> <p>Head of Finance – Children Education and Families</p>

REVIEW SCHOOLS FINANCE TEAM

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
	<p>and whilst there was no update during the audit we have now been informed that a successful appointment has been made.</p>	<p>determination of ISB. Without a notice of their funding for the year, it may not be possible for schools to prepare a realistic budget.</p>		<p>As such there are sufficient controls in place, but they are not formally recorded. Failure to deliver would be identified by the recipients, the DfE, Members, Bromley Finance or schools and therefore constantly monitored</p> <p>Moving forward there will be formal recording but there has been monitoring of this contract. Delivery of all elements accurately and on time evidences that the relationship between client and service provider has been successful. There has been no poor performance to address or challenge. The work delivered by the service provider involves ongoing dialogue and input from myself that allows continuous monitoring and would be an early alert to any problems.</p>	

Assurance Level

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.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.

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**FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT**

REVIEW OF INSURANCE 2019/20

Issued to: **Viknesh Gill, Insurance and Risk Manager**
Dave Hogan, Head of Audit and Assurance
Tracey Pearson, Chief Accountant
Katherine Ball, Principal Accountant
Peter Turner, Director of Finance (Final Report only)

Prepared by: **Assistant Manager, (Audit contractor on behalf of London Borough of Bromley)**

Reviewed by: **Manager, (Audit contractor on behalf of London Borough of Bromley)**

Date of Issue: **07 February 2020**

Report No.: **CEX/15/2019/AU**

REVIEW OF INSURANCE

INTRODUCTION

1. This report sets out the results of our internal audit (audit) of Insurance. The audit was carried out as part of the work specified in the 2019-20 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The Insurance function is subject to periodic audit on the basis that insufficient insurance cover could lead to significant financial strain. If the Council does not robustly challenge claims against it, it may pay out when it is inappropriate to do so (including potentially fraudulent cases), which could put further pressure on the budget.
3. Since March 2019, the Council has appointed an in-house Insurance and Risk Manager who reports to the Head of Audit and Assurance (who assumed responsibility for the service at the same time). Claims handling is carried out by the Royal Borough of Greenwich (RBG) under a contract which will end on 31st March 2020. The service will be transferred to the London Borough of Sutton. The Insurance Fund is managed by the Technical and Control Team under the management of the Chief Accountant. The audit objective is therefore to review the key controls and performance of the Insurance function, including a review of the contractual arrangements with RBG for claims handling and preparation for the transfer of function.
4. Details of current insurance policies held are as follows:

Type of policy	Provider	Premium (Exc Insurance Premium Tax @12%)
Casualty (Public and Employers Liability)	Maven Public Sector	£297,489.00
Property	Travelers	£148,787.54
Terrorism	Lloyds Syndicate organised through JLT	£25,687.99
Personal Accident and Travel	Risk Management Partners	£12,241.45
Fidelity Guarantee	Risk Management Partners	£5,650.00
General and Leased Motor Vehicle	Zurich Municipal	£29,830.24

REVIEW OF INSURANCE

Type of policy	Provider	Premium (Exc Insurance Premium Tax @12%)
Minibus	Zurich Municipal	£6,961.76
School Journey	Risk Management Partners	£1,248.00

- 5. Monitoring reports are provided by RBG. The report dated 21 October 2019 identifies 322 outstanding claims and the policy year to which they relate, with a total claim value of £2,332,877. It is noted that 227 of these open claims are Public Liability. It also identifies there were 12 legacy claims, where the incident occurred pre-2014, of which five are motor and seven Public Liability claims.
- 6. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

- 7. The scope of the audit was outlined in the Terms of Reference issued on 4 October 2019.
- 8. The following were considered to be the key risks inherent to the Insurance function:
 - If insurance cover is inappropriate, all areas of the Council requiring insurance cover are not identified, or if the level of excess and premiums charged are inappropriate, the Council may not obtain value for money from its insurance arrangements. The conditions set by the insurer may also not be complied with, resulting in unexpected financial losses and resultant unfavourable media coverage. The Council may inadvertently invalidate its insurance cover.
 - Inappropriate and/or invalid insurance claims may be paid or the Council may face unduly high premiums and/or unduly high/inappropriate pay-outs where it self-insures. This may result in a negative financial impact if there are missed opportunities to claim on insurance due to insufficient evidence to support claims.
 - Premium payments may be inaccurately recorded/recharged, and service budgets and performance data may not fairly reflect insurance activity where premiums (and fund contributions) are not recharged to departments on an agreed basis. Renewals processed may therefore fail to provide the updated information on assets etc., from which the insurer can correctly calculate premiums for the year, leading to either a potential increase in financial costs to the Council or under-insurance in some areas.

REVIEW OF INSURANCE

- Self-insurance coverage (funds available) may be inappropriate, leading the Council to take on too much risk. The Council may experience financial loss, putting further pressure on budgets. The Council may also fail to leave itself with the money to cover its costs (or deductibles) in the event of accidents, property damage / destruction etc. Claims may then have to be funded from savings made in other budget areas.
- Insurance budgets may not be well controlled, or the insurance system not reconciled to the Oracle Financial System. As a result, unanticipated under or overspends may occur.
- Excessive and/or avoidable insurance claims may not be identified and reduced / eliminated. Multiple similar claims could then materialise. Excessive claim numbers may lead to significant avoidable resources needed to deal with the numerous cases to be processed. The payment of avoidable claims may add pressure to the budget and also result in significant public criticism of the Council’s inability to prevent claims, potentially undermining the ability to deliver services.
- Insufficient management information may be produced to facilitate effective oversight. Any required remedial action may not be taken or robust decision making at both operational and strategic level may not take place. The risk management framework of the Council may be weakened and opportunities to avoid or reduce costs may not be exploited.

AUDIT OPINION

9. Our overall audit opinion, number and rating of recommendations are as follows:

AUDIT OPINION		
Reasonable Assurance		(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)
Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	1	1

REVIEW OF INSURANCE

SUMMARY OF FINDINGS

10. Controls noted to be in place and working effectively, based on the audit testing conducted, included:
- Prior to March 2019, the Insurance function was managed exclusively by the Council's Finance service. Since the changes made in March 2019, a dedicated Insurance & Risk Manager has been appointed to manage the Insurance function and the relationship with RBG. This is therefore perceived to add value through the introduction of more specialised resource.
 - An analysis of the self-insurance funds was undertaken by the Council's insurance brokers, with a report produced 20 February 2019, for the benefit of the Council's then Insurance service.
 - Documented insurance policies for Casualty (Public Liability, Employers Liability, Officials Indemnity and Professional Indemnity), Property, Terrorism, Fidelity Guarantee, Personal Accident and Travel, Motor Vehicles and School Journeys were retained by Insurance and Risk Services.
 - Following a tender exercise managed by the Council's insurance brokers, the insurance providers, listed in section 4 of this report, were appointed by the Executive on 27 March 2019 for a five year term, with an option to extend for a further three years.
 - Insurance claims are all recorded on the Bromley Council insurance system (LACHS) by RBG as claims handler.
 - There is a formal agreement in place between the Council and RBG as current claims handler which dates from April 2015 and will expire on 31 March 2020.
 - The new claims handler (Sutton Council) undertook a due diligence exercise which was shared with the Council. This identified they would only require 2.5 additional claims handlers to manage the Council's workload, and that Sutton Council already employ the LACHS software for managing claims (which is the same as that employed by RBG and the Council). In addition, the Insurance & Risk Manager will be requiring RBG to provide, for each outstanding claim, a file handover note. At the time of audit, the draft contract for the new arrangements between Bromley and Sutton, remained with the Council's Legal Team for final updates and sign-off.
 - Insurance claims documentation retained on LACHS can be viewed directly by the Insurance & Risk Manager. This was confirmed by observation of a sample claim.
 - Where a payment on a claim is recommended, this is reviewed and approved by two officers from RBG. It is then passed for approval by the Insurance & Risk Manager. This was confirmed through examination of a sample of 13 claims in 2019

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(approximately 10% of claims closed in 2019), which were approved by either the Insurance & Risk Manager, or an appropriate officer (prior to this individual's appointment).

- Each insurance provider raises one invoice in respect of the premium for the whole amount of the policy for each year. This was confirmed for all eight premium payments paid in 2019/20.
- The Principal Accountant completes an annual recharge of insurance costs to services. This is completed as part of the financial year-end and the most recent one completed was for 2018/19. The basis of the recharge was identified and found to be appropriate in that Public Liability is based on claims history, Employers Liability on Full Time Equivalent staff and property / terrorism based on the property sum insured.
- An annual report is prepared by the Insurance & Risk Manager which reviews the level of the self-insurance fund. The most recent report was produced for 2018/19 and identified the fund had grown from £3.7 million to £4 million over the year. The reason for the increase in the fund was that the number of claims was lower than expected, and the increase mainly due to the value of claims settled in the year being less than the interest which accrued to the fund. This report was presented to the Executive, Resources & Contracts Policy, Development & Scrutiny (PDS) Committee on 9 October 2019 for scrutiny before a decision was made by the Portfolio Holder.
- The Principal Finance Officer (Technical & Control) completes a quarterly reconciliation of the financial system (Oracle) with LACHS. While, as at November 2019, it had only been completed up to the 30 June 2019, the reason for the delay was due to staff absence for leave and sickness. It has however since been brought up to date.
- Monitoring reports have been submitted by RBG on 28 May, 23 July, 27 August and 21 October 2019. Audit were informed there are meetings held with RBG on the last Friday of each month at which such reports and other issues are discussed, though no minutes are taken of such meetings.

Examination of monitoring reports noted they include information, such as the number of claims and trends. They analyse the numbers of outstanding claims by incident year and sum of such outstanding claims. They also identify the number of legacy claims (where the incident dates from before 2014). There is a further analysis of claims by class e.g. Employers Liability and Public Liability.

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11. We would however like to bring to management attention the following issues:
 - Examination of the 21 May 2018 report to the Executive, seeking approval of the procurement process, confirmed that paragraph 3.1.5 stated '*as a result of changes to the service profile of the Council, as well as external changes, it may now be appropriate to take out cover for additional risks, such as medical malpractice and cyber, and officers will be exploring options for these*'. It was subsequently noted that the March 2019 report to the Executive recommending the award of insurance contracts noted that, at that time, there were no suitable cyber risk policies, though this may change in the future. A low level action has been suggested to help facilitate future / ongoing review in respect of this point.
 - While there is a target to acknowledge claims received within three days and investigate within three months, there is no review of the progress of outstanding claims and whether such targets are achieved. It was noted that this is something that the Council should be looking to build into its new contractual arrangements with Sutton Council, as the new outsourced claims handler.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

12. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

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APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p>Insurance Cover Examination of the 21 May 2018 report to the Executive, seeking approval of the procurement process for the procurement of new insurance providers, stated in paragraph 3.1.5: <i>'as a result of changes to the service profile of the Council, as well as external changes, it may now be appropriate to take out cover for additional risks, such as medical malpractice and cyber, and officers will be exploring options for these'</i>. It was subsequently noted that the March 2019 report to the Executive recommending the award of insurance contracts noted that, at that time, there were no suitable cyber risk policies, though this may change in the future.</p>	<p>Without a periodic review of the continuing relevance of insurance policies, there is an increased risk that insurance policies held may not reflect current needs, and hence may require excessive claims to be made out of self-insurance funds and the Council's own budgets.</p>	<p>Options for alternative insurance cover to reflect the changed service profile of the Council should be explored and included within the annual report on the adequacy of the self-insurance fund.</p> <p style="text-align: center;">Priority 3</p>	<p>Review of the Councils Public Health function was undertaken in June 2019 by Insurance & Risk Manager following the commencement of new insurance policies on 1 May 2019. The result of this review was that the current public liability policy provides adequate cover for the Council.</p> <p>With regards to a Cyber Insurance policy, there isn't really a suitable product for local authority risk at present. The Council have elements of cover under the current public liability/fidelity guarantee policies. In addition to this, some other elements would be covered under the current IT contract. This will be kept under review if more comprehensive cover becomes available or other circumstances warrant it.</p>	<p>Further review by the Insurance & Risk Manager will be undertaken in early 2021 prior to the renewal of insurance policies for 2021-2022</p>

REVIEW OF INSURANCE

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
2	<p><u>Outstanding Claims</u></p> <p>While there is a target to acknowledge claims received within three days, and investigate within three months, there is currently no formal review of the progress of outstanding claims and whether such targets are achieved.</p> <p>Audit were informed this is being raised with the new claims handling contract to commence as from 1 April 2020.</p> <p>As stated in section 10 of this report, at the time of audit the final contract for the new arrangements between Bromley and Sutton, was still being formalised.</p>	<p>There is an increased risk of increasing dissatisfaction where genuine claims are not addressed timely. In the event it is not possible to confirm the validity of older claims, inappropriate payments may arise.</p>	<p>The Council's claims handler should be required to report on the timeliness in which claims are acknowledged and settled, and identify those claims outstanding. Where targets are not achieved, the reasons for such failure should be investigated and appropriate remedial action agreed.</p> <p>As part of the final arrangements to get the new contract in place and signed-off, the Insurance and Risk Manager should liaise closely with the Council's Legal Team to ensure that any requirements to produce the suggested level of performance data are built into the contractual terms and conditions.</p> <p style="text-align: center;">Priority 2</p>	<p>Monthly Management Reports from LB Sutton will include:</p> <ul style="list-style-type: none"> - Compliance to 7 day response time for all claims correspondence - Average number of days to respond to claims correspondence - Total of outstanding reserves for all open claims - Compliance to pre-action protocol e.g. acknowledgement time and investigation period - Compliments and Complaints received 	<p>Insurance & Risk Manager will undertake a review of LB Sutton management reports in the first quarter of new contract commencing on 1 April 2020</p>

Assurance Level

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.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.