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DATE: 6th July 2020

AUDIT SUB-COMMITTEE INFORMATION BRIEFING

Meeting to be held on Wednesday 15 July 2020

QUESTIONS ON THE INFORMATION BRIEFING

The Briefing comprises:

1 AUDIT REPORTS PUBLISHED ON THE COUNCIL WEBSITE (Pages 3 - 132)

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>

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

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

PENSION ADMINISTRATION 2019-20

Issued to: Tracey Pearson, Chief Accountant
Thi Bang Hoang, Pensions Manager
John Nightingale, Head of Revenues & Benefits
Peter Turner, Director of Finance

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

Reviewed by: Head of Audit and Assurance

Date of Issue: 02 March 2020

Report No.: CEX/04/2019/AU

INTRODUCTION

1. This report sets out the results of our internal audit of Pension Administration. 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 arrangements in place for oversight and control over pension administration activity which impact on the reliability of records, integrity of information and compliance with relevant regulations.
3. The Council's Pensions Manager is responsible for the oversight and management of pension fund related processes. Administrative services are outsourced to Council's Exchequer Contractor, who have delegated responsibility for many of the processes associated with pensions. The key objective of the Council's Exchequer Contractor's Pensions Team is to maintain accounts on the pensions system, calculate annual contributions, pensioner and lump sum payments, and to liaise with prospective and current pension fund members.
4. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

5. The scope of the audit was outlined in the Terms of Reference issued in December 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 Pension Administration process:
 - There are inappropriate policies and procedures in place to guide staff and support meeting legislative requirements.
 - Ineffective process may be in place for setting up new joiners or terminating leavers from the pension scheme. Processes / systems for transferring staff into the scheme from other schemes (previous employers) may be unsuitable.

- In the absence of independent checks, inappropriate or incorrect refunds may be made, which are not supported by key documentation, detailing calculations and evidence of appropriate authorisation.
- The system for employee/employer contributions may not be robust to ensure that the correct amounts are deducted and recorded in the pension accounts. Additional voluntary contributions may therefore not be fully authorised by the contributor; agreed by the employer, or be within the prescribed limits.
- Pension payments may not be complete, legitimate and accurate to prevent fraud and/or error, e.g. there may be payments to deceased pensioners, ineligible partners, overseas pensioners, etc.
- Pension records are not maintained completely, accurately and securely (including the processing of Death Grants, which can be significant sums of money and thus must be correctly calculated and appropriately authorised).
- In the absence of regular reconciliations between the pensions system and the general ledger, errors or omissions may go unnoticed. Lump sum payments, refunds and transfers in and out may not be undertaken on a timely basis and reviewed.

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 | 1 | 2 |

SUMMARY OF FINDINGS

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

- Procedural flow charts have been implemented by the Pension’s Team at Council’s Exchequer Contractor. These were confirmed to reflect key processes within the remit of the team as well as reflecting current practice observed through the audit.
- In terms of supervisory review, our walkthrough/testing evidenced that risk was minimised by segregating duties within the key processes, such as through the secondary checking of calculations and separating sign-off for key processes (to give comfort that additions, removals, payments could not be processed by a single person).

- Sample testing of 10 new starters since April 2019 confirmed scheme joiners had been correctly entered onto the pensions system, as well as being issued their statutory notice and letter, as confirmation of being successfully set up onto the scheme. Some control is automated upon recruitment e.g. a new starter is automatically enrolled to the pension membership, so does not necessarily need to complete a new pension membership form. However, reminder letters are still sent to the member to determine if they wish to transfer in from another scheme for example.
- Sample testing confirmed account statuses and amendments in respect of 10 pension scheme leavers since April 2019 had been correctly administered on the pension system. Cessation of membership forms had been uploaded to the pension system for reference, and leavers had been contacted by letter as confirmation. It was also noted that the pension system is linked to the payroll system. If an employee is marked as a leaver/deceased on the pensions system this is then translated and payments are stopped.
- Sample testing confirmed for 10 transfers since April 2019 that members transferring their funds into the Council's pension scheme had completed the required application form, and correspondence with each member's previous pension scheme providers had been retained. Transfer in calculations had been saved and checked for accuracy by a senior member of the Council's Exchequer Contractor 's Pensions Team. Calculations had also been checked and signed-off both physically and electronically on the pension system.
- Testing of a sample of 10 payment requests and calculations for transfer out cases confirmed they had been checked and authorised within Council's Exchequer Contractor. Furthermore, correspondence with the new pension providers had been retained.
- Refunds may be issued for one of two reasons:
 - 1) A new starter does not want to be part of the pension scheme and has not opted out or communicated this before deductions are made; or
 - 2) Leavers that do not want to transfer their pension money are able to refund their stake in the fund.An employee can request a refund within two years of joining the scheme.

Testing a sample of 10 refunds established that payments had been processed accurately. All refunds tested were confirmed to be processed within two years of joining the scheme. Refund payment requests accurately matched calculations and logs from the pension system. Refund calculations had also been checked and signed off by a senior member of the Council's Exchequer Contractor's Team.

- Access rights to the pension system had been restricted by the Systems Administrator at Council's Exchequer Contractor. Only those with agreed high seniority levels had full access to the pensions system and were able to make amendments to pension accounts.
- Sample testing confirmed consent of members with Additional Pension Contributions (APCs) were obtained, along with declaration of fitness from the member's employer. The testing of all three APCs administered since April 2019 identified all as having consent from both employee and employer. Furthermore, the value of all APCs tested fell within the prescribed limit of £7,026 (this limit is set by the Local Government Pension Scheme (LGPS), governed by The Local Government Association).
- Signed new pensioner forms were retained on the pension system, along with checked calculations and authorised payment requests for those 10 sample tested. This confirmed relevant documentation, including forms, checked calculations and authorised payment requests, were available on the pension system.
- Sample testing of six death grant payment requests administered since April 2019 confirmed they were authorised and paid to the correct beneficiaries. Grant calculations were checked and signed off by the Pensions Manager and then sent for final authorisation to the Chief Accountant or Director of Finance.

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

- Reconciliations between the pension system and general ledger accounts are produced on a quarterly basis by Council's Exchequer Contractor before being sent to the Council. The reconciliations for Quarters 1 and 2 of 2019/20 were provided as evidence as these being forwarded by Council's Exchequer Contractor. However, there is no evidence of Council review or sign-off of the quarterly reconciliations produced by Council's Exchequer Contractor. This finding is carried forward from the 2018-19 audit*.
- The policy and procedure documents in place outlining the responsibilities of Council staff in the pension's administration process are not centralised, limiting their accessibility and validity to Bromley related processes. This finding is carried forward from the 2018-19 audit*.
- Refunds are paid through cheque rather than BACS. The Council is in the process of transferring over to a BACS payment platform, however, BACS payment runs and BACS refund claim forms have not yet been finalised.

** The reason for not implementing these recommendations was advised, by management, to be as a result of staff vacancies, particularly the Capital Accountant and Principal Accountant, plus a change to the Pensions Manager post holder. The Principal Accountant and Pensions Manager roles had been filled as of December 2019.*

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.

PENSION ADMINISTRATION 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>Reconciliations – Review and Sign Off</u></p> <p>Reconciliations between the pensions system and the retirement grant, death grant, transfer in and transfer out general ledger accounts, are produced on a quarterly basis by Council's Exchequer Contractor. Despite the reconciliation spreadsheets being shared with the Council's Principal Accountant upon completion, there is no physical evidence of the reconciliations being reviewed and signed off each quarter. This was an issue raised in the 2018-19 audit.</p> | <p>Where quarterly reconciliations are not reviewed and signed off by the Council's Principal Accountant, errors or omissions may go unnoticed. This could contribute to a lack in the timeliness and accuracy of transfers and grants payments.</p> | <p>Management should ensure that, upon completion of the quarterly reconciliation sheet, the Council's Principal Accountant reviews and physically signs off on the validity of the reconciliations.</p> <p style="text-align: center;">Priority 2</p> | <p>Quarterly reconciliations to be carried out by Capital Accountant and signed off by Principal Accountant.</p> | <p>31/03/2020 Responsibility: Principal Accountant/Capital Accountant</p> |
| 2 | <p><u>Council Policies and Procedures</u></p> <p>Although procedure flow charts were available with respect to the processes</p> | <p>Where policy and procedure documentation is not in place and accessible, there is an increased likelihood of</p> | <p>Management should produce a centralised policy and procedure document highlighting the processes specific to Council staff, and the extent to which Council staff interact with the processes</p> | <p>Management to review current policies and procedures and to have a "combined" policies and procedures booklet.</p> | <p>30/09/2020 Responsibility: Pensions manager</p> |

PENSION ADMINISTRATION 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 |
|----|--|--|--|---------------------|---|
| | <p>undertaken by the Council's Exchequer Contractor's Pension's Team, discussion with the Pensions Manager established that there is a lack of equivalent procedure documentation outlining the responsibilities of Council staff in these processes, held in one central location. As a result, these policies could not be provided during the audit. This was an issue raised in the 2018/19 audit.</p> | <p>processes being completed inconsistently and a lack of Council wide awareness of pension related administrative procedures.</p> | <p>owned by Council's Exchequer Contractor. All policies contributing to the centralised document should be reviewed and updated where appropriate.</p> <p>Priority 3</p> | | |
| 3 | <p><u>Secure Payment of Refunds</u></p> <p>It was established that refunds are paid to members via cheque. This limits the security of payments and could encourage fraudulent activity.</p> <p>Discussion with the Pensions Manager identified that there are plans to roll out a process where refunds are paid</p> | <p>Where refund payments are not issued through secure means, there is an increased likelihood of payments being involved in fraudulent activity, or being lost/ stolen.</p> | <p>Management should progress in finalising the BACS refund payments process for pensions.</p> <p>Priority 3</p> | Agreedf | <p>The BACS payment for refunds is expecting to go live on 02/03/2020</p> <p>Responsibility: Council's Exchequer Contractor</p> |

PENSION ADMINISTRATION 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 |
|----|--|------|--|---------------------|--|
| | through BACS rather than cheque. The new BACS refund claim form has been produced and is awaiting approval from the Head of Revenues and Benefits. | | | | |

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

PEOPLE DEPARTMENT

REVIEW OF ST OLAVES GRAMMAR SCHOOL

Issued to: Andrew Rees, Head Teacher
Liz James, School Business Manager
The Venerable Dr. Paul Wright, Chair of Governors (final report only)

Cc: Jared Nehra, Director of Education (final report only)
Schools Finance Team, (final report only)

Prepared by: Principal Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 27th February 2020
Report No.: ECHS/10/2019/AU

REVIEW OF ST OLAVES GRAMMAR SCHOOL

INTRODUCTION

1. This report sets out the results of our audit of St Olaves Grammar School. 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 planned audit of St Olaves was undertaken during a two day visit to the school on the 2nd and 3rd of December. Unfortunately the Finance Manager (FM) was not available due to ill health however the School Business Manager (SBM) and Finance Team were able to supply most of the information required for the audit. The outstanding testing that required input from the Finance Manager was completed on the 18th December and the 9th January. Unfortunately the SBM was absent on both these dates due to ill health.
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 15/11/19.
5. The key risk areas were identified as:-
 - **Financial management information** including budget monitoring, financial reports and returns to London Borough of Bromley
 - **Primary accounting documentation** including payments, income, contracts, voluntary funds, bank reconciliations and payroll.
 - **Asset control**
 - **Governance arrangements** including financial delegation, governor minutes, budget approval and business interests

REVIEW OF ST OLAVES GRAMMAR SCHOOL

6. The audit reviewed relevant documentation, interviews were carried out with key staff and testing of related procedures and processes. Testing was based on transactions processed during the period November 2018 to November 2019. The school utilise funding from the Voluntary Fund, Parent Teachers Association donations and a specified annual amount from the Foundation. Internal Audit do not review these other funding streams and are only concerned with the school account. However procurement and project management to be funded from one of the alternative income sources is scrutinised if the expenditure is shown as a transaction through the school account. The process to procure, order and payment is then measured against the School’s Financial Regulations.
7. The recommendations raised in previous audit reports were reviewed to evidence progress to implement.

AUDIT OPINION

8. 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 | 7 | 3 |

REVIEW OF ST OLAVES GRAMMAR SCHOOL

SUMMARY OF FINDINGS

9. Prior to the audit the SBM submitted a file of evidence to demonstrate the steps taken by the school to address the recommendations from the previous audit. This was extremely useful and supported the follow up work to be completed this time. We found that of the 11 previous audit recommendations 6 had been fully implemented (authorisation, scheme of delegation, the expenditure process, Finance Committee minutes, contract register and the IT contract); 2 of the recommendations relating to the authorisation of claim forms and pecuniary interest had been partially implemented. We confirmed that there were issues with the ICT asset register, IR35 and cash flow so these recommendations would remain open.
10. The SBM also evidenced the Finance Strategy Development Plan (FSDP) which had been reported to the Finance Committee on the 16 October 2019. This is a comprehensive document setting out the aims, notes, action required, timeline and responsibility. The minutes, however, did not reflect discussion or approval of the Strategy. It was noted that the FSDP did not include contract management or contract monitoring; this may be an area to develop.
11. The audit reviewed the documentation to support the tender exercise to procure the IT provision for the school given this had previously been identified as a Priority 1 recommendation. The procurement evidenced compliance to Contract Procedure Rules with the contract award approved by the Governing Body at its meeting on 6 November 2019. It was noted that the IT expertise available from a Governor offered knowledge, scrutiny and challenge. The new contract commenced on the 1 January 2020 and it is estimated to deliver savings of some £70K over the three year period. The SBM evidenced a good understanding and an exit programme to complete handover procedures from the existing contractor to the new provider. No testing was carried out on the IT contract and provision; this will be considered at the next audit when the new contract has been embedded.
12. The SBM had previously informed Internal Audit at the time that the school bank account had been overdrawn by £24,754 for a few hours on the 25th October. An internal investigation report into the circumstances of the overdrawn incident, issued by the SBM, was discussed and agreed that the school had put additional measures in place to ensure that the account should not become overdrawn again. These included training for the FM, limiting cheque runs and documented scrutiny and approval between the FM and SBM. However when the cash flow reports were reviewed on the 18 December, it was evidenced that these steps had not yet been implemented. The incident also raised concerns around the school's business

REVIEW OF ST OLAVES GRAMMAR SCHOOL

continuity plan given the FM was unable to contact the SBM, Governor or authorising officer to confirm the action she took to move funds remotely from the Voluntary Fund.

13. This audit review acknowledges that the SBM and Finance staff have made significant improvements with regard to the authorisation and expenditure procedures. This includes changing the invoice stamp, clarifying roles and responsibilities, issuing advice to all staff and delivering training. For the contract register it is acknowledged that the SBM did not inherit any “paperwork” or supporting documentation from the previous postholder and therefore had no starting point to create this record. It is also acknowledged that the school have undertaken a number of projects that have necessitated quotations, tendering and management. The SBM and Premises Manager have developed a Project Checklist to support projects now undertaken by the school and a central folder to collate supporting documentation. Although there is a finding around the tendering arrangements for projects it is acknowledged that the Project Checklist and supporting documentation is a significant improvement but there is a need to develop this.
14. The audit work undertaken has identified issues arising in the following areas:
 - Compliance to Financial Regulations specifically competitive quotes and tendering; authorisation; adequate documentation to support payment, timely alert and informing the FM to ensure committed expenditure is known prior to the receipt of the invoice and VAT duplication. The detailed findings are reported separately at Appendix C.
 - For payments made in line with IR35 regulations it was noted that that for one payment to an individual, a company invoice had been submitted and payment should have been made against that instead.
 - The asset register for IT equipment was kept by the IT contractor. The school do not have access to this record and the Head teacher has not signed off the complete register as per Financial Regulations. There is no process to reconcile asset versions, check movement off the registers or to give any assurance that the register is complete. Given the IT contractor was to be out of contract on the 31 December 2019 this was an increased risk to the safeguarding of assets. The school were advised at the end of audit meeting on the 18th December that the asset register and associated risks must be considered as part of the exit plan. The school will need to evidence what arrangements have been agreed with the new IT contractor or what processes have been developed for the school to comply with the Financial Regulations relating to safeguarding assets.

REVIEW OF ST OLAVES GRAMMAR SCHOOL

- The previous two audits have recommended that the school need to produce monthly cash flow reports. This has now been implemented for 2019/20. The cash flow reports from April 2019 had been prepared and signed by the FM but only April and May had been authorised by the SBM. The FM had added notation to explain variations, the authorisation by the certifying officer is the control that, independent to the FM, the notated explanation is acceptable.
- The 19/20 budget summary document presented to Governors at the Finance meeting in June 2019 had not been signed by the Chair of Governors; the I&E report printed for the Internal Audit visit on the 3rd December showed a deficit of £23K and having set a balanced budget for 2019/20 the budget monitoring and financial management will be critical this year. The overdrawn bank account incident in October is evidence of this. The annual funding available to the school from the Foundation is drawn down as needed and has effectively been used to ease cash flow pressures and meet one off planned projects. It was previously recommended that all income streams, school fund, voluntary fund and Foundation funds be reported to Governors to achieve full transparency and allow Governors and the Senior Leadership Team to make informed decisions regarding financial planning and budget setting, this recommendation was implemented. It is acknowledged that the school have prepared a three year forecast that was presented to Governors at the May 2019 Finance Committee. However the full value of Foundation funds available for the financial year is not included in the original budget declared to Governors and approved as part of the annual budget setting process. The budget set for 2019/20 was discussed with the Director of Education and Head of Finance (Children, Education and Families) at a meeting in June 2019 when it was agreed that £250K would be transferred from the Foundation to the school account with immediate effect. This transfer was not actioned. The school have now evidenced that £350K was drawn down from the Foundation at the end of December.
- The roles and responsibilities within the Finance function need clarification. The FM now reports on both the school and voluntary fund and liaises with the Foundation regarding the drawdown of funds resulting in a lack of separation of duties.
- The Income and Expenditure report dated 3 December 2019 was checked to identify overspent expenditure heads. Two were selected as an example to evidence awareness of the overspend, remedial action if any and then the reporting to Governors. In both cases the FM was able to explain the spend but neither had been detailed on the Management Account reported to the October 2019 Finance Committee. It is acknowledged that the Chair of Finance had requested briefer management reports but this does allow this officer discretion over what is reported to Governors; agreed tolerance levels would be more transparent and exercise tighter control.

REVIEW OF ST OLAVES GRAMMAR SCHOOL

- The two control accounts, aged creditors and aged debtors were requested on the first day of the audit. Two invoices over 91 days were identified but given that the FM is responsible for the debtors the reason and explanation had to wait until she returned from sick leave. The outstanding payment for £117 was identified as an input error and was corrected. The control accounts are retained as part of the month end reporting but it is suggested they be signed by the responsible officer to evidence that the report has been run and cleared.
- The bank reconciliation is completed monthly, signed by the responsible officer and authorised by the line manager. It was noted that for the September 2019 bank reconciliation the Finance Officer had not signed the report but it had still been authorised by the SBM. Since the issue with cash flow and the school funds being overdrawn the FM now completes the bank reconciliation and the SBM should authorise this.
- The credit card statement for October 2019 was selected for audit testing of procurement card transactions. There was an issue regarding a credit and debit transaction not supported by an adequate audit trail.
- Income testing identified that there was insufficient information shown on the manual invoices to cross reference to the income being received. Although all the income in the sample was accounted for it relied on input from the FM to confirm this. It is also noted that the FM is responsible for debtors and invoices and in her absence the finance team were unable to resolve audit queries, again raising issues around roles, responsibilities and resilience.
- The petty cash claim for October 2019 was checked and identified that for 1 out of 16 transactions, the claim had not been authorised.
- It had been previously recommended that the pecuniary interest signed forms for Governors be held on the school site. The forms were satisfactorily checked for all but 3 governors. It was accepted that these were new governors from September 2019 but all had attended meetings in the Autumn Term and therefore any pecuniary interests should have been identified prior to them attending those meetings.
- Although cyber security is not specifically tested as part of the audit work plan a self-assessment questionnaire had been left with the SBM at the end of the previous audit in January 2019. We were unable to confirm that this questionnaire had been completed and what action if any had been taken to mitigate any risks identified.

To conclude the audit has identified several areas for improvement and recommended remedial action as discussed above and detailed at Appendix A. Of these there are two significant areas of concern:-

REVIEW OF ST OLAVES GRAMMAR SCHOOL

- Processes around project management and spend as evidenced by the sample payment to Contractor A demonstrate non-compliance to Financial Regulations and poor financial control. The school have completed and are committed to, other large schemes and projects that will need the financial controls that were lacking in the audited example. The school must therefore address these issues as a priority.
- For financial management and governance the primary concern is that with a balanced budget the school must evidence timely financial reporting, financial planning and a financial strategy to meet budget pressures in this year and forthcoming years. Although the school have access to Foundation reserves there has been an increased draw on this fund and evidence that it is being used to solve cash flow issues in the school accounts. Similarly the school must evidence that they have completed due diligence and affordability checks before any expenditure is considered, ensuring that the source of income is confirmed and received prior to that spend. The school will need to evidence that they have a long term cash flow analysis.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

15. 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 ST OLAVES GRAMMAR SCHOOL

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>Expenditure</p> <p>A sample of 21 payments was selected from the bank history report for the period November 2018 to November 2019. The main issues arising were:-</p> <ul style="list-style-type: none"> • Noncompliance to Financial Regulations with regard to obtaining quotes and tendering arrangements and use of the waiver process • Inadequate audit trail to support payment and poor communication with the Finance Manager to allow timely alert of committed expenditure • An unauthorised signatory approved a payment • VAT added twice to a payment | <p>Payments may not be made in compliance with Financial Regulations and the School's own procedures</p> <p>Unauthorised expenditure may be processed through the school accounts.</p> | <p>All expenditure must comply to Financial Regulations; tendering should be undertaken for projects >£50K.</p> <p>Any exemption to Financial Regulations must be supported by a waiver signed by both the Head Teacher and the Chair of Governors.</p> <p>The project checklist and folder evidences a significant improvement however this is work in progress and the information, completeness and accuracy needs to be improved.</p> <p>All payments should be supported by an adequate audit trail, including agreed quotes, variations, evidence of eligibility and commitment of purchase.</p> <p>The FM to be made aware of financial commitment at the first opportunity and be kept up to</p> | <p>Going forward all contracts over £50,000 will require written tenders using either, open procedure, two stage process procedure or negotiated procedure.</p> <p>For any contract or purchase over £5,000, competitive quotes will be sought or a waiver signed by the Headteacher and the Chair of Governors will be produced.</p> <p>Procedures for checking invoices against purchase orders will be tightened and contractors to be challenged when they fail to produce detailed invoices.</p> <p>The raising of purchase orders for any changes in a project should alert FM of increases in</p> | <p>HT/ Premises Manager Immediate</p> <p>HT/FM/Premises Manager Immediate</p> <p>HT/Premises manager</p> |

REVIEW OF ST OLAVES GRAMMAR SCHOOL

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>The detailed findings and sample numbers are shown at Appendix C.</p> <p>The recommendations relate to the general issues identified during the expenditure testing. The school may need to consider specific remedial action for each example highlighted.</p> | | <p>date or have access to any changes and variations prior to payment.</p> <p>Authorised signatories only should approve orders/invoices.</p> <p>Priority 1</p> | <p>commitment along with being cc'd into email trails on Capital projects</p> <p>Training to be sought for key personnel on procurement.</p> <p>Only authorised signatories are supposed to authorise purchase orders/invoices. Staff have been reinstructed and procedures rewritten to emphasise this.</p> | <p>Finance Office Staff</p> <p>Immediate</p> |

REVIEW OF ST OLAVES GRAMMAR SCHOOL

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>HMRC</p> <p>From the bank history a list of 20 named individuals receiving payment were checked to the online HMRC assessment showing that the individual was self-employed.</p> <p>The printed report now shows the date of the online questionnaire.</p> <p>All 20 were supported by an assessment however one individual had submitted a company invoice but requested payment to himself. Payment to a named individual should be the last resort if there is no alternative.</p> | <p>Non-compliance with HMRC regulations resulting in a financial penalty</p> | <p>Where possible payments should always be made to a company rather than a named individual.</p> <p>Priority 2</p> | <p>Procedures for checking invoices subject to IR35 legislation have been revised to clarify that payment must be to company rather than an individual if a company name is shown on the invoice, even if the supplier requests payment in their name.</p> | <p>FM Immediately</p> |

REVIEW OF ST OLAVES GRAMMAR SCHOOL

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>Asset Register</p> <p>The asset register for IT equipment was kept by the IT contractor. The school do not have access to this record and the Head Teacher has not signed off the complete register as per Financial Regulations. The FM confirmed that she had been sent a copy last year but there is no process to reconcile asset versions, check movement off the registers or to give any assurance that the register is complete. Given the IT contractor will be out of contract on the 31/12/19 this is an increased risk to the safeguarding of assets. The school were advised at the end of audit meeting on the 18th December that the asset register and associated risks be considered as part of the exit plan.</p> | <p>The Financial Regulations requirement for the Head teacher to certify the asset register annually may not be achieved</p> <p>Assets lost or stolen may not be easily identified.</p> | <p>The arrangements to maintain the IT asset register should be confirmed with the new IT provider. The handover and exit arrangements with the outgoing IT provider should be evidenced.</p> <p>The school should ensure that the purchase of any new IT equipment is uploaded to the asset register and any write off or disposal duly certified by the school.</p> <p>A sample stock take should be undertaken, independent of the IT provider and a copy of the IT asset register should be printed off annually for the Head Teacher to certify that all assets are accounted for.</p> <p style="text-align: center;">Priority 2</p> | <p>The new ICT contractor has been asked to complete a review of the IT asset register. The ICT contractor will be instructed to get approval during the year for any disposals, highlight missing items and to update the register with any new items purchased through the year.</p> <p>The School will incorporate the ICT asset register into the annual asset register update. As part of the annual asset check spot checks will be carried out by the School. The complete asset register including IT equipment will be signed off by the Headteacher.</p> | <p>HT Immediate</p> <p>HT/FM Summer 2020</p> |

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| No | Finding | Risk | Recommendation and Priority *Raised in previous Audit | Management Response | Agreed timescale and responsible manager |
|----|--|---|---|--|--|
| 4 | <p>Cash Flow</p> <p>The budget cash flow for 19/20 was checked to the actual cash flow reports. Entries for cash book balance and budget share were sample checked to the bank reconciliation and SFT notification. The main issues arising were that the monthly cash flow report had been signed by the FM but at the time of the audit the SBM had only authorised April and May.</p> <p>The variation between the estimated and actual balance should be considered each month and notation added to the cash flow report to explain that variance. This had been done up to September but not October and November and without the authorising signature the rationale cannot be confirmed as correct.</p> | <p>The school may not be aware of their ability to meet all liabilities</p> | <p>The cash flow reports are an important control document and useful tool for financial management.</p> <p>It is therefore important that the cash flow report be produced monthly and reviewed and certified by the authorising officer in a timely manner to confirm the values declared and acceptance of the explanations for any variance.</p> <p style="text-align: center;">Priority 2</p> | <p>Cashflows are produced monthly as per London Borough of Bromley requirements.</p> <p>The retrospective cashflow will be signed in a timely manner and variances explained</p> | <p>HT Immediate</p> |

REVIEW OF ST OLAVES GRAMMAR SCHOOL

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APPENDIX A

| No | Finding | Risk | Recommendation and Priority *Raised in previous Audit | Management Response | Agreed timescale and responsible manager |
|----|---|--|--|--|--|
| 5 | <p>Bank Reconciliation</p> <p>The bank reconciliation is completed monthly, signed by the responsible officer and authorised by the line manager. It was noted that for the September 2019 bank reconciliation the Finance Officer had not signed the report but it had still been authorised by the SBM. As previously reported the authorisation is an important control in any finance system; there must be a clear understanding what is being authorised. Since the issue with cash flow and the school funds being overdrawn the FM now completes the bank reconciliation and the SBM authorises.</p> | <p>The finances of the school may not be accurately represented in the Financial Management System.</p> <p>Discrepancies between the FMS and bank account may not be detected.</p> | <p>The authorising officer should have a clear understanding of their role as an authorising officer. The certifying signature is added to the report once that officer is satisfied that agreed checks have been satisfactorily completed.</p> <p>Priority 2</p> | <p>The SBM was given training in the bank reconciliation process. This is a minor oversight. Systems will be put in place to ensure that it does not happen again.</p> | <p>HT/FM/Purchase Ledger Clerk</p> |

REVIEW OF ST OLAVES GRAMMAR SCHOOL

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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| 6 | <p>Financial Management</p> <p>The audit objective is to test the budget setting process, verify that the information presented to Governors represents the accurate financial position of the school and that the school are monitoring the finances during the year. Overall this was achieved however there were several issues arising:-</p> <ul style="list-style-type: none"> • The 2019/20 budget summary document presented to Governors at the Finance meeting in June 2019 had not been signed by the Chair of Governors; • The I&E report printed for the Internal Audit visit on the 3rd December showed a deficit of £23K and having set a balanced budget for 2019/20 the budget monitoring and financial management will be | <p>Unauthorised use of school funds.</p> <p>Governor approval of the annual budget may not be evidenced</p> <p>Insufficient funds to cover school expenditure</p> | <p>The budget summary document should have been signed by the Chair of Governors and retained as evidence that the document presented was approved. This can be done retrospectively for 2019/20 but will need to be done annually moving forward.</p> <p>The school should ensure that there are sufficient funds within the school account to meet committed expenditure. There are budget monitoring reports and cash flow which should support the school to achieve this.</p> <p>The steps identified by the school to prevent the school account being overdrawn again should be implemented.</p> | <p>The Final Budget was presented to the Full Governing body for approval as changes were made post Finance Committee meeting. The Chair of Governors will be asked to sign the 2019/20 Budget and all budget reports going forward</p> <p>The overdraft was exceptional, and the School was due funds from the Government to fully fund the increase in employers' contributions for Teachers' pensions that had been implemented in September. The Finance manager wrote to LB Bromley's Director of Education in September 2019 to raise concerns that this was unsustainable and query when the funds would be received. The monthly cost for St Olaves is £20,000 and the funds were not received until November. All staff are requested to raise</p> | <p>HT Immediate</p> |

REVIEW OF ST OLAVES GRAMMAR SCHOOL

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| No | Finding | Risk | Recommendation and Priority *Raised in previous Audit | Management Response | Agreed timescale and responsible manager |
|----|--|--|--|--|--|
| | <p>critical this year.</p> <ul style="list-style-type: none"> • The expenditure testing has shown that the FM is not always aware of expenditure as it is committed to allow FMS to accurately reflect funds available. • The overdrawn school funds incident in October also indicated that the monthly cash flow is very tight and the steps identified in the internal investigation report were not evidenced as implemented. • Foundation funding is drawn down as needed but as evidenced with the overdrawn school fund incident, informally and not in a timely way to cover expenditure • The transfer of £250K from the Foundation to the school fund should have been | <p>Inadequate financial management may lead to the school account being overdrawn which is contrary to Financial Regulations</p> <p>Inadequate financial management and poor financial information will prevent Governors making informed decisions and exercising long term financial planning.</p> | <p>The school should consider including the total Foundation grant in the budget rather than drawing down values during the year.</p> <p>The management report to Governors should highlight all areas of interest including overspent or projected overspent expenditure codes.</p> | <p>purchase orders. Training is ongoing and Staff are constantly reminded of the requirement to raise PO's and inform FM of any changes in costs for projects.</p> <p>The School will report the Total Foundation Grant alongside the budget in the Management Accounts presented to Governors</p> <p>A schedule for drawdown was agreed with the Foundation giving the month of drawdown, this has now been amended to include the date of the month for payment.</p> <p>The Foundation has transferred the £250,000. The School will give consideration to drawing across the historical funds still</p> | <p>SLT & all staff Immediate</p> <p>HT Immediate</p> <p>FM/Chief Executive Officer (Foundation) Immediate and ongoing</p> <p>Governors/SLT March/April</p> |

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| No | Finding | Risk | Recommendation and Priority *Raised in previous Audit | Management Response | Agreed timescale and responsible manager |
|----|--|---|--|--|--|
| | <p>actioned in June 2019 as agreed at the meeting between the school and the Local Authority.</p> <ul style="list-style-type: none"> • Incomplete information available to the FM for specific projects (HT House conversion) limits the effectiveness of commitment accounting. • Two overspent expenditure codes identified in the I&E report run on the 3/12/19 had not been highlighted in the Management Report to Governors. It is acknowledged that the Chair of Governors requested a shorter report but there should be some guidance regarding tolerance levels rather than officer discretion. • During the course of the audit both the SBM and FM were not available and off site. There were issues retrieving information or | <p>The Finance function is too reliant on key officers and responsibilities are not shared or covered to allow adequate resilience.</p> | <p>The school should consider the roles and responsibilities within the Finance function to ensure business continuity and an adequate resilience in case of staff absence.</p> <p style="text-align: center;">Priority 1</p> | <p>held by the Foundation and the annual grant income at the beginning of each financial year.</p> <p>Roles and responsibilities will be addressed. Staff to be trained in some aspects of FM & SBM roles to ensure Business continuity.</p> <p>The Management Accounts report to Finance Committee will be confirmed with the Chair of the Finance Committee in terms of presentation to ensure that it enables Governors to strategically monitor the Schools finances. Reporting levels for variances either in monetary terms of percentage to report on to be agreed with Finance Committee.</p> <p>Training and procedure notes completed to ensure staff are aware of where all documentation is kept and how</p> | <p>Before Budget is set for 2020/21</p> <p>HT/FM Ongoing</p> <p>SLT/Governors</p> <p>HT/FM/Finance Staff</p> |

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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 |
|----------|--|--|---|---|--|
| | <p>resolving audit questions that had to be delayed until the responsible officer returned. This did highlight business continuity and resilience issues for the Finance function.</p> | | | <p>to interpret it.</p> | <p>Immediate & ongoing</p> |
| <p>7</p> | <p>Control Accounts The aged debtors and aged creditors reports were run for the audit visit. The two debtors were known to the FM and cleared that month; the 1 invoice over 30 days was the result of the invoice date being incorrectly input to the FMS. These are important control accounts that should be signed off by the responsible officer to evidence that this routine procedure has been completed and action taken accordingly.</p> | <p>Timely remedial action may not be taken to recover debts due to the school and invoices for payment may exceed 30days</p> | <p>Aged debtors and aged creditors reports, assigned to an officer should be annotated to show any investigation and remedial action and then signed off to evidence completion.</p> <p style="text-align: center;">Priority 3</p> | <p>Aged Creditors and Aged Debtor reports form part of the existing month end procedure. Evidence of remedial action will be retained and signed off by Purchase Ledger Clerk & FM.</p> | <p>FM/PLC Immediate</p> |

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APPENDIX A

| No | Finding | Risk | Recommendation and Priority *Raised in previous Audit | Management Response | Agreed timescale and responsible manager |
|----|--|--|---|--|--|
| 8 | <p>Petty Cash The petty cash claim for October 2019 was checked and identified that for 1/16 transaction the claim had not been authorised.</p> | <p>Petty cash transactions may not be completed in accordance with Financial Regulations or the schools own financial procedures</p> | <p>All expenditure whether paid as a cheque request, petty cash or credit card transaction should be supported by authorised documentation prior to payment.</p> <p>Finance staff to be reminded that the checks performed on claim forms and request for payment forms are a control in the expenditure process</p> <p style="text-align: center;">Priority 2</p> | <p>Staff to be reminded of the requirement for proper authorisation of claims and the Purchase Ledger Clerk to be reminded to reject claims that are not correctly authorised.</p> | <p>HT/FM/PLC/All Staff Immediate</p> |

REVIEW OF ST OLAVES GRAMMAR SCHOOL

DETAILED FINDINGS AND ACTION PLAN

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|----|--|---|--|---|--|
| 9 | <p>Procurement Card</p> <p>The credit card statement for October was selected for audit testing; 36 transactions had been processed with a total value of £2,648.92. The procedure to request any purchase is well controlled, authorised and reconciled to the bank statement. The only issue arising was for a credit and debit transaction not supported by any documentation. The Finance Officer satisfactorily explained that an error on input had resulted in a cancelled transaction but this chain of corrective actions should have been retained on file as evidence.</p> | <p>Unauthorised expenditure on the school credit card</p> | <p>The supporting documentation retained should be an adequate audit trail of any action taken on the procurement card account.</p> <p>In this case the e-mail trail that evidenced the cancellation and the original request for finance should be annotated to show why corrective action was required.</p> <p style="text-align: center;">Priority 3</p> | <p>Finance staff to be reminded that they need to write adequate notes on paperwork to provide a clear explanation of action taken and a clear audit trail.</p> | <p>Finance Staff Immediate</p> |

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|----|---|--|---|--|--|
| 10 | <p>Income</p> <p>A sample of 5 income transactions was selected from the bank history to verify the income value, collection and reconciliation to the bank statement. The main issue arising was that there was insufficient information shown on the manual invoices to cross reference to the income being received. Although all income in the sample was accounted for it relied on input from the FM to achieve this. It is also noted that the FM is responsible for debtors and invoices and in her absence the finance team were unable to resolve audit queries.</p> | <p>All income due to the school may not be collected.</p> <p>Income may not be correctly recorded in the school account.</p> | <p>The invoices are raised on FMS; a summary sheet should be retained to show all invoices raised and the status. The summary document can then be available to Finance staff to allow continuity.</p> <p style="text-align: center;">Priority 2</p> | <p>The school processes 15 to 20 sales invoices a year. A summary sheet will be retained and copies of bank statements filed to prove receipt of payment with all invoices</p> | <p>FM Immediate</p> |

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|----|--|---|---|--|---|
| 11 | <p>Pecuniary Interest Declaration of interest forms for the Governors are now held at the school however a check on all forms available identified that no signed declarations were available for three new Governors who had started in the Autumn Term but had already attended Committee Meetings.</p> | <p>Governors with financial responsibilities may be involved in making financial and/or business decisions relating to organisations which they have a pecuniary interest without the school knowing.</p> | <p>The school should ensure that a copy of the pecuniary interest forms, completed by Governors is held at the school.</p> <p>Priority 3</p> | <p>The Foundations Clerk to the Governors to be contacted and a request made to ensure that pecuniary interest forms are complete and signed for any new Governor who starts after the annual exercise in September.</p> | <p>HT, Clerk to the Governors Immediate</p> |

REVIEW OF ST OLAVES GRAMMAR SCHOOL

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| No | Finding | Risk | Recommendation and Priority *Raised in previous Audit | Management Response | Agreed timescale and responsible manager |
|----|--|--|--|--|--|
| 12 | <p>Cyber Security</p> <p>During the previous audit a cyber security self-assessment questionnaire was left with the school to complete.</p> <p>The SBM confirmed that this had been passed to the previous IT provider and that their Network Manager had been instructed to take the required remedial action.</p> | <p>The school may have inadequate arrangements in place to prevent cyber security attacks resulting in a loss of data and associated cost and GDPR penalty for any data breach</p> | <p>The school should evidence the self-assessment completed by the previous IT provider and evidence the remedial action taken.</p> <p>Arrangements with the new IT provider should be confirmed as defined by the cyber security assessment.</p> <p>The school are responsible for cyber security and should therefore lead on the self-assessment and own the findings and remedial action.</p> <p style="text-align: center;">Priority 2</p> | <p>This questionnaire had been completed by the Schools former ICT provider, but the evidence is unavailable. The School will take the lead on completing the questionnaire with assistance from the new ICT contractor and evidence of any remedial actions required retained. In February 2019 the School took out an insurance policy for Cyber Security.</p> | <p>HT Immediate</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 – Expenditure

A sample of 21 payments was selected from the bank history report for the previous twelve month period. The date of the transactions . The summary findings and recommendations are reported above the more detailed findings are as follows:-

- Sample 2 - £13,372 – 30/11/18 this payment is in respect of the Fives Court and was committed before the SBM joined the school. The cumulative expenditure to this provider as at December 2019 is £79K. An e-mail to Governors on the 1 March 2019 explains the rationale of using this provider but a waiver signed by both the Head and Chair should be evidenced to support the procurement of services with a value over £5K. No competitive quotes were obtained and the cumulative value exceeds £50K with no competitive tendering.
- Sample 3 - £33,528 – 13/6/19 was authorised by an officer not on the authorised signatories list. This had been raised in the previous audit with the same supplier same signature.
- Sample 5 - £32,922 –26/9/19 this payment relates to part of the project to refurbish and convert the Head Teacher’s house to office accommodation, creating additional classroom space in the main building. Governors approved spend up to £150K. For a value exceeding £50K, this project should have been subject to formal tendering arrangements but only two quotes were evidenced. There is no formal sign off waiver by the Head and Chair to accept one of two quotes. The winning quote was in two parts but the invoices received have not matched these quotes and therefore not allowed a clear trail to show that the work invoiced was included on the original quote and purchase order. There was no specification to measure work against. There was no formal award of contract and sign off on the project list to show the rationale of award. There was effectively a change in specification after the award of contract that should have been offered to the other tenderer. The Finance Manager was not included in e-mail correspondence with regard to variation or additional work that could then be checked to the invoice. Although supported by the project folder, the checklist information is incomplete and the provider was not procured in accordance with Financial Regulations. At the time of the audit, 3 payments had been made to the contractor totalling £36,402.
- Sample 7- £15,120 – 12/9/19 the VAT has been added twice between the original quote, order and then payment. The school have contacted the supplier, confirmed the error and will receive reimbursement of the overpayment.
- Sample 16 – £8, 402 – 16/5/19 “finder’s fee” to a recruitment consultant. A waiver should have been signed by the Chair and Head teacher setting out why due process was not followed. There was inadequate documentation to

support the value of the payment and evidence that an agreed fee had been negotiated before engagement, the FM had not been alerted to the commitment prior to the invoice being received by the school.

- Sample 18 - £7,834 – 17/1/19 the original paperwork was lost in the move to the new office accommodation. The Head Teacher had signed approval to not seek quotes but this waiver would also need to be signed by the Chair of Governors.
- Sample 19 – £6,406.68 – 17/8/19 this payment relates to the purchase of two musical instruments on behalf of a student. The income was satisfactorily checked to the school account however the responsible officer should sign to evidence that the pupil meets the criteria.



**FINAL INTERNAL AUDIT REPORT
ADULT SERVICES DEPARTMENT**

REVIEW OF THE CARE ACT (INFORMATION, ADVICE AND GUIDANCE)

Issued to: Kim Carey, Director, Adult Services
Tricia Wennell, Head of Assessment and Care Management
Naheed Chaudhry, Assistant Director Strategy, Performance and Corporate Transformation (Final only)
James Mullender, Head of Finance, Adult Social Care, Health and Housing (Final only)

Prepared by: Principal Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 11th June 2020

Report No.: ECHS/02/2019/AU

REVIEW OF THE CARE ACT (INFORMATION, ADVICE AND GUIDANCE)

INTRODUCTION

1. This report sets out the results of our audit of the Information, Advice and Guidance element of The Care Act. 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.

The Care Act places duties and responsibilities on local authorities regarding care and support for adults. Under the Act, local authorities are required to provide comprehensive information and advice about care and support services in their local area. This is to enable people to understand how care and support services work locally, the care and funding options available, and how people can access support services. Local authorities must also help people to benefit from independent financial advice in order that they may obtain support to plan and prepare for the future costs of care.

All information and advice must be provided in formats to aid people's understanding, regardless of their needs. This may include a range of types of information, and include working with partners to provide information on different services together.

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

AUDIT SCOPE

3. The original scope of the audit was outlined in the Terms of Reference, the objective of which was to confirm that statutory duties under the Care Act are being adhered to.
4. The key risks reviewed within this audit were:-

Information, advice and guidance is not available about local care and support services to enable people to understand how such services work, can be accessed and the funding options available. Specifically:-

- The types and range of care and support available
- How the care and support options can be accessed

REVIEW OF THE CARE ACT (INFORMATION, ADVICE AND GUIDANCE)

- Where Independent Financial Advice may be sought
- How people can raise concerns about the safety and wellbeing of someone who has care and support needs

AUDIT OPINION

5. 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 | 0 |

SUMMARY OF FINDINGS

6. Based on our audit testing, controls noted to be in place and operating effectively at the time of our review include:-

The local authority produces, in partnership with Contractor A, the ‘Bromley Guide to Independent Living, Support and Care Services’ on an annual basis.

REVIEW OF THE CARE ACT (INFORMATION, ADVICE AND GUIDANCE)

The Guide is intended to provide essential information to help residents stay as healthy, independent and safe as possible in their own homes and support residents to maintain control of their lives. This is available both electronically and in printed form, with the e-book being 'Recite Me' compatible for those requiring information in the spoken word, other languages or with visual adjustments such as font size or colour.

The Contractor B service, funded by Bromley Council and the Clinical Commissioning Group, has been established to provide information, support and guidance about staying well and low level support for those who do not yet need statutory assistance from the Council.

7. We would, however like to bring to management attention the following issue:-

Information available on the Bromley website www.bromley.gov.uk is disjointed and lacks logical flow. The structure and content does not effectively support people to make decisions, find solutions within the community and third sector or plan for the future.

Branding and format is inconsistent across the documents and functionality is limited, with, for example, no translation options currently available.

Ownership of the Adult Social Care content, both of individual areas and as a whole, could not be evidenced.

Issues identified as requiring attention and rectification, include:-

- Broken links and links leading to out of date or incorrect information
- Incorrect telephone number
- Out of date postal addresses
- Page stating 'alternatively you can contact us by telephone', with no telephone number provided
- Document containing the names of responsible officers no longer in that role or employed by the Council

It is acknowledged that the development of online information has been identified as an area requiring attention and forms part of the Front Door Development Plan as advised to the Adult Social Care Transformation Workstream Board in January of this year.

REVIEW OF THE CARE ACT (INFORMATION, ADVICE AND GUIDANCE)

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 THE CARE ACT (INFORMATION, ADVICE AND GUIDANCE)

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

1 Online information (www.bromley.gov.uk)**Finding**

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Issues identified as requiring attention and rectification, include:-

- Broken links and links leading to out of date or incorrect information
- Incorrect telephone number
- Out of date postal addresses
- Page stating 'alternatively you can contact us by telephone', with no telephone number provided
- Document containing the names of responsible officers no longer in that role or employed by the Council

Risk

The Information, Advice and Guidance offer may not enable people to make the best decisions about how to retain control over their lives or navigate the process to identify, and understand, the care and support available.

The Authority may not be fulfilling its general responsibilities under the Care Act in its provision of information, advice and guidance.

REVIEW OF THE CARE ACT (INFORMATION, ADVICE AND GUIDANCE)

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

| | |
|--|--|
| <p><u>Recommendation</u></p> <p>The structure and content of the Information, Advice and Guidance suite of pages and documents on www.bromley.gov.uk should be reviewed, both as individual elements and the 'offer' as a whole. Ownership should be defined, together with ongoing responsibilities to ensure the information and advice published enables people to make the best decisions about care and support and understand how these may be accessed.</p> | <p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p> |
| <p><u>Management Response and Accountable Manager</u></p> <p>The iBCF Projects Officer, Process and Systems Officer and the Policy and Resource Development Officer are in the process of redesigning the website layout. A first draft process map is in place and will be reviewed by all relevant parties when ready. They will also be updating the webpage content to ensure it is fit for purpose.</p> <p>Of the 20 individual anomalies identified during the audit, 16 have now been rectified and four are in progress.</p> <p>(Director, Adult Services, led by Head of Assessment and Care Management)</p> | <p><u>Agreed timescale</u></p> <p>March 2021</p> <p>September 2020</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. |

FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE & HEALTH DEPARTMENT

REVIEW OF NURSING CARE AUDIT FOR 2018-19

Issued to: Tricia Wennell, Head of Assessment & Care Management,
Stephen John, Director of Adult Social Care,
Ruth Wood, Head of Service, Placements and Brokerage,
Paul Feven, Director of Programmes,
James Mullender, Head of Finance, Adult Social Care Health & Housing,
Claudine Douglas Brown, Assistant Director, Exchequer Services,
Naheed Chaudhry, Assistant Director, Strategic & Business Support Services,

Cc Gillian Palmer, Interim Executive Director of ECHS, (Final Only),

Prepared by: Principal Auditor,

Date of Issue: February 25th 2019

Report No: ECHS/7/2018/AU

REVIEW OF NURSING CARE AUDIT FOR 2018-19

INTRODUCTION

1. This report sets out the results of our systems based audit of Nursing Care for 2018-19. The audit was carried out in quarter 3 as part of the programmed work specified in the 2018/19 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The placement budget for residential and nursing care is split by primary support reason such as Memory & Cognition, Physical Support and Sensory Support for the age groups 18-64 and 65+. For 2017-18, the outturn was £12,265,803 and for 2018-19 the budget monitoring as at September 2018 was £6,056,617. This does not include mental health and learning disabilities placements.

AUDIT SCOPE

4. The scope of the audit was outlined in the Terms of Reference issued on 12/9/18.

AUDIT OPINION

5. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

6. Our testing identified the following issues which we would like to draw to management's attention:-
 - Weekly Home Nursing Fee. Negotiations with providers regarding the weekly fee had not been documented.

REVIEW OF NURSING CARE AUDIT FOR 2018-19

- The Director of Programmes notified to Internal Audit the problems being encountered with the Contractor A Block Contract.

SIGNIFICANT FINDINGS (PRIORITY 1)

7. None.

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 at Appendix B.

ACKNOWLEDGEMENT

9. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings | Risk | Recommendation |
|-----|--|--|---|
| 1. | <p><u>Weekly Nursing Home Fees</u> When a placement is sought for a service user, the Auditor was advised that the placement officers work within the guide rates and all placements are negotiated.</p> <p>Enquiries were made whether the negotiation process is documented and the Head of Brokerage and Placements advised that the negotiation of the fee is largely verbal discussions and there is not a set process in place. The Auditor was advised that the fee confirmation form is retained and held on the case management system.</p> <p>The cost of the placement may be higher than the guide rate limits if it is not possible to place the service user possibly due to the needs being too high. On this basis, where additional costs are requested from providers the breakdown of the support to be provided should be broken down alongside the costs.</p> <p>The fee confirmation does not include a breakdown of the support and the associated costs.</p> | <p>Lack of clarity in the fee confirmation which may cause issues between the parties.</p> | <p>Negotiations with providers should be fully documented to ensure that the individual needs of the service users are clearly documented so that there is a breakdown of the financial support and the associated costs.</p> <p>[Priority 2]</p> |

Project Code: ECHS/7/2018/AU

Page 4 of 9

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings | Risk | Recommendation |
|-----|---|------|----------------|
| | <ul style="list-style-type: none"> Out of the 4 schemes, which comprise the contract, 2 homes required improvement under CQC inspection which impacted additionally from the outset. | | |

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation | Priority *Raised in Previous Audit | Management Comment | Responsibility | Agreed Timescale |
|-------------|--|---|--|---|-------------------------|
| 1. | <p><u>Weekly Nursing Home Fees</u></p> <p>Negotiations with providers should be fully documented to ensure that the individual needs of the service users are clearly documented so that there is a breakdown of the financial support and the associated costs.</p> | 2 | <p>A new form was implemented last year which is sent to all providers who quote for costs above either host authority or LBB guide rates so that they can identify what needs are “exceptional” and the costs associated. As this was only introduced in latter part of 2018 not all sampled clients would have an associated form.</p> | <p>Head of Service, Placements and Brokerage</p> | <p>Immediate</p> |

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation | Priority *Raised in Previous Audit | Management Comment | Responsibility | Agreed Timescale |
|-------------|--|------------------------------------|--|---|---|
| 2. | <p><u>Contractor A Contract</u> The issues identified within the block contract with Contractor A should be resolved as soon as possible.</p> <p>The void situations should be minimised and the contract should be signed by all parties without further delay.</p> | 2 | <p>Active negotiations and meetings are being undertaken to resolve the outstanding issues in respect of the contract implementation.</p> <p>All nursing placements are referred to the Contractor A block contract as a first option to maximise the use of the bed availability. Adjustments are made to the void bed calculations where an appropriate referral is declined by Contractor A.</p> <p>Final resolutions meeting is due to take place in February 2019</p> | <p>Director of Programmes</p> <p>Head of Service, Placements & Brokerage</p> <p>Director of Programmes</p> | <p>31st March 2019</p> <p>Immediate</p> <p>31st March 2019</p> |

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

| Assurance Level | Definition |
|------------------------|---|
| Full Assurance | There is a sound system of control designed to achieve all the objectives tested. |
| Substantial Assurance | While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording. |
| Limited Assurance | Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses. |
| No Assurance | Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted. |

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FINAL INTERNAL AUDIT REPORT
HOUSING, PLANNING AND REGENERATION DEPARTMENT

REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME

Issued to: Sara Bowrey, Director of Housing, Planning and Regeneration
James Mullender, Head of Finance, Adults, Health and Housing
Emma Pearce, Head of Corporate Programmes
Pete Turner, Director of Finance (Final Only)

Prepared by: Principal Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 1st June 2020

Report No.: ECHS/16/2019/AU

REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME

INTRODUCTION

1. This report sets out the results of our audit of the More Homes Bromley, LLP scheme. 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.

As at September 2019, 1,578 households were placed in Temporary Accommodation and over 900 households in Nightly Paid Accommodation. The number of approaches from households who are homeless or threatened with homelessness and subsequently go on to require assistance with temporary accommodation continues to increase.

On 26th March 2016, the Executive approved that a Special Purpose Vehicle (SPV) be set up between Company A and the Council to acquire stock for temporary accommodation and deliver budget savings by reducing reliance on more costly options.

A Joint Partnership between the Council and Company A, known as 'More Homes Bromley LLP' (LLP), was incorporated on 8th February 2016 and registered at Companies House as a Limited Liability Partnership. The accounts state the principal activity as 'the acquisition, provision and management of rented accommodation to local people in need of housing'. The procurement plan for the LLP is to acquire 400 properties comprising 60 one bedroomed, 280 two bedroomed and 60 three bedroomed units. Property Title (ownership) is registered in the name of More Homes Bromley LLP. Asset Management, being the provision of repairs, maintenance and tenancy management services, is undertaken by Company B, part of the Company A Group.

The Council, being an early adopter of this approach to temporary accommodation stock acquisition and having experienced changes in key personnel since the scheme's inception, has experienced a steep learning curve. It should also be noted that the scheme is being delivered without the benefit of a dedicated Project /Contract Monitoring Officer, having been absorbed into 'Business as Usual', by the Housing, Finance and Corporate Programmes functions.

It was reported to Care Services PDS on 4th July 2017 (ref CS 18028) that 'the properties were originally to be purchased over a four year period but that the financial model was revised to two years, to deliver budget savings earlier'. As at 13th December 2019, 356 property purchases had been completed, with a further 32 in the pipeline. The number of completions had increased to 360 as at the time of reporting. It should be noted that; not all of the pipeline properties will reach completion and, as a period of refurbishment is factored in post completion, not all of the purchased properties will be tenanted yet.

REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME

The Council retains financial liability for any voids from the tenth working day following a unit becoming available and ready for occupation, until completion of a Tenancy Agreement.

Investment funding of £81m was provided by Company C in four tranches between June 2016 and December 2017. The term of the investment is 40 years with the final repayment date being June 2056. A First Legal Charge is registered against the properties in the name of Company D, being the Security Trustee on behalf of Company C.

Audited accounts (Company E) for the LLP's year ended 31st March 2019 reflect a fixed asset value (Freehold and Long Leasehold property at cost) of £56.3m.

All costs associated with the scheme are funded from the LLP. These include legal costs and stamp duty, refurbishment costs, expenses such as legal and arrangement fees, and debt servicing. Any inability to contain costs within the £81m financial envelope will have implications for scheme, primarily a reduction in the number of properties which can be purchased or an additional funding requirement.

Interest is paid biannually in June and December. The interest coupon increases from 3.6% in June 2026 to 4% and then to 5.085% in June 2046 for the remaining term.

Amortisation is factored into the Financial Model of January 2020, with principal repayments due to commence in June 2026. At the end of the 40 year term, there will be an outstanding balance to be repaid to Company C, the current Financial Model estimate being £30.6m. Cash balances are forecast to be £12.2m, leaving a residual debt of £18.4m. For comparative purposes, the original Financial Model (June 2016) projected a term cash balance of £16.1m and a residual debt of £14.5m. The repayment method, subject to determination by the Board, could include; refinancing with a new lender, sale of a proportion of the property portfolio or, the Council repaying the debt. Subject to the satisfaction of all indebtedness, the housing stock acquired by the LLP shall be distributed to the Council in its entirety, with the January 2020 Financial Model projecting an Asset Value at term of £183m, £15m less than the June 2016 Financial Model figure of £198m.

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

AUDIT SCOPE

3. The original scope of the audit was outlined in the Terms of Reference, the objective of which was to review the governance and controls in place over the operation of the scheme.

REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME

4. The key risks reviewed within this audit were:-

- Financial risks to the Council are not managed
- Delivery of the project fails to achieve targets set
- Assets are not purchased in line with the assumptions in the Acquisition Agreement
- Assets are not managed in line with the Asset Management Agreement
- Failure to provide nominations and/or manage voids
- Performance issues with the Contractor/Limited Liability Partners

AUDIT OPINION

5. 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 | 6 | 2 |

REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME

SUMMARY OF FINDINGS

As at 13th December 2019, this scheme had delivered 356 units of temporary accommodation reducing reliance on more costly options. This had increased to 360 as at the time of reporting.

Being an early adopter of this approach to temporary accommodation stock acquisition, the Council has experienced a steep learning curve. Lessons learnt have fed through to a formalising of processes in recent months; we would, however, wish to bring the following areas to management attention.

6. Governance

Whilst there are clear lines of accountability within strategic and operational roles, these, together with the governance arrangements for the scheme, are not formally documented. The lack of a clear, documented pathway leaves the scheme at risk of ineffective strategic oversight.

Roles and responsibilities of individuals and the Terms of Reference for each of the groups (e.g. Board) should be defined and documented to ensure oversight and critical enquiry of all areas of the scheme including:-

- Spend and financial forecasts against the model
- Programme delivery issues
- Key Performance Indicators
- Risk and Strategic matters
- Day to day operational aspects

7. Strategic assessment and documentation of risks

Whilst it was noted that Committee Reports, for example DRR15/038 dated 10th June 2015 contained a section on risks, the workstream does not have a Risk Register and therefore routine assessment of the risks associated with the delivery of the scheme could not be evidenced. In view of the nature and phasing of the scheme, with the majority of the activity and expenditure taking place in the first few years, Strategic and Operational short and long term risks should be identified, documented and kept under review by the Board.

REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME

8. Business Plan, Financial Model and Management Accounts

The Partnership Agreement states that the Board shall be responsible for the production of a draft updated Financial Model for each financial year and updating the Business Plan. Whilst the Financial Model, which was last updated in January 2020, was tacitly accepted as undertaking the role of the ongoing Business Plan, it could not be confirmed that this was the intention of the Partnership Agreement or whether the original Business Plan should have been subject to annual refresh.

Whilst the Financial Model was current and had been reconciled as at October 2019, it could not be confirmed that this had been subject to a regular six monthly reconciliation, an annual formal review or, that the management accounts and a management report, which should be prepared quarterly, had been scrutinised at the stated intervals.

The January 2020 Financial Model contains a 'Summary Termsheet' comparing the current position of the scheme with that originally modelled in June 2016. Whilst the outstanding balance to be repaid to Company C is reflected in both as £30.6m, the cash balances at term are currently forecast to be £12.2m, leaving a residual debt of £18.4m, whereas the original Financial Model projected a term cash balance of £16.1m and a residual debt of £14.5m.

9. Strategic File Management

The Strategic file management system is housed within a 'Sharepoint' site and contains information such as Legal documents and advice, meeting minutes and Key Performance Indicators. Dates on the site indicate that it was not incepted until 2018 and was not, therefore, the primary repository until that stage. Historic documentation is ad hoc in nature and file structures such as the meeting minutes have been amended throughout the course of the scheme with, for example, the addition of a 'Board' file for documentation from August 2019, to coincide with the formalising of the Board meeting process. It could not be established that all relevant documentation (e.g. all meeting agendas, minutes and attachments together with all Key Performance Indicator data), had been uploaded to the system, or indeed that the meetings had consistently taken place at the required frequencies and undertaken the functions set out in the partnership documentation.

The scheme is recorded on the Contracts Database system which also holds some agreement and authorisation documents and management information. It is recommended that the contents of both repositories are reviewed and realigned where appropriate.

REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME10. Quality Assurance Arrangements/Key Performance Indicators

The Asset Management Agreement contains a suite of Key Performance Indicators (KPIs). The last operational meeting for which minutes could be located was held on 27th June 2019. Whilst these minutes record that 'no issues were raised with the KPIs during this meeting', there is no evidence of critical challenge or that an operational meeting has been held subsequently.

Lack of KPI data was identified at the Board meeting of 17th July 2019 and it is acknowledged that efforts have resulted in the receipt of a data suite covering January 2018 to October 2019, which was reviewed by the Board on 6th December 2019. A process should be put in place to ensure that, going forward; **all** data set out in the binding agreements is received in line with the timescales and is subject to challenge at the appropriate level.

11. Gross and Net Rent Shortfall/Interest earned on Cash

The Deed of Covenant and Guarantee states that on or around the 15th day of each calendar month, Company B will certify to the Council and the Issuer (More Homes Bromley, LLP) any shortfall against the original Financial Model of:-

- a) Gross Rent,
 - b) Net Rent,
 - c) Interest earned on Cash against the Original Financial Model,
- and that the Council guarantees that it will pay the relevant sums due in respect of a Shortfall.

Whilst it is evident from the Board meeting minutes of 17th July 2019 and 6th December 2019, that this clause has now been identified and highlighted at Board Level, there was no evidence to suggest that funds had been placed in interest bearing accounts or that the Council had received notification of rental or interest shortfalls. Should this clause be invoked, there will be financial implications for the Council, the level of which have yet to be established.

12. Filing of LLP accounts at Companies House prior to formal approval by the Board

The 2018/19 audited accounts were filed at Companies House on 23rd November 2019. This was prior to formal sign off at the Board meeting of 6th December 2019, although it was noted that the Board had received the draft accounts and they had been agreed in principle.

REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME13. Target mix

The Target mix within the procurement plan was 60 one bedroomed, 280 two bedroomed and 60 three bedroomed properties, with Committee report CS18028 to Care Services PDS on 4th July 2017 advising ‘the properties were originally to be purchased over a four year period but that the financial model was revised to two years, to deliver budget savings earlier’. The revised two year target had not been met as at 13th December 2019, with a shortfall of 30 two bedroom properties and 15 three bedroom properties and this reduced timescale was not reflected in the January 2020 Financial Model. The one bedroom target had been exceeded by 1 and whilst further purchase of one bedroom properties would support the overall target, it would distort the property profile, not be in line with the original procurement plan and result in the Council being able to consider only smaller households for the accommodation.

The Procurement Plan states that ‘Company A must use all reasonable endeavours to obtain Property within the Borough of Bromley subject to satisfaction of the cost considerations derived from the Business Plan’. The Business Plan defines the geographical and numerical split of the acquisition strategy, with 10% of the properties to be in the Borough of Bromley and the remainder being split between Bexley, Dartford, Gravesham and Maidstone Boroughs. The schedule of properties owned as at 13th December 2019 indicates that properties have been purchased outside of the stated areas e.g. Swale. Whilst this may result in a lower initial cost per property, there could be implications for ongoing rental income levels when applying the area based Local Housing Allowance (LHA) rates used to calculate Housing Benefit, as areas outside of those originally modelled may receive a lower LHA rate.

14. Property Completions (numbers and timescales)

Whilst not all assumptions within the Financial Model were tested, it was noted that the Model, whilst current, having been updated in January 2020, it is based on the assumption that the ‘number of Temporary Accommodations properties’ (i.e. the number of purchases which would have completed), by January 2020 would be 383, and the full 400 would complete by April 2020. The stated target for January 2020 was not achieved and based on pipeline data, the target of 400 completions by April 2020 would appear to have been ambitious.

15. Completion of works within the 12 week deadline

The Acquisition agreement states that refurbishment works, which are carried out or procured by Company A, are ‘to be completed not later than 12 weeks after the date of legal completion’. From a sample of 20 properties, seven were recorded as having taken longer than 84 days from completion of the purchase to completion of the works. Of these, timescales ranged from 121 days to 236 days.

REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME

A further property, for which the LLPs internal records stated a purchase completion date of 13th December 2018, had, prior to purchase, been heavily adapted for use by a person with disabilities. Subsequent to purchase, significant modification/replacement of items had commenced to ensure that the property met current requirements. It is understood that this property is now in the sign off phase.

One property was, as at the time of testing, still within the 12 week timescale, and no data was available for a further property.

Whilst it is acknowledged that the issue of delays in completing works was identified and challenged in November 2019, these will result in commensurate delays in commencing rental income collection.

16. Length of Lease

The Acquisition agreement states that Leasehold properties must have a Lease of at least 70 years unexpired at completion of the purchase. Whilst all Leasehold properties within the sample met the criteria, as at 2020, six of the properties within the sample have less than 100 years unexpired. Should the LLP wish to sell the properties at the end of the 40 year term, these properties are unlikely, at that stage, to meet the requirements of the majority of the Council of Mortgage Lenders' members in terms of length of lease remaining. This will reduce their marketability and therefore provision may be required in terms of both finance and time, to allow for negotiations with the Freeholder to extend the Lease prior to sale.

17. Granting of lease to Company B

In line with the published Business Plan for Company B, the properties, owned by More Homes Bromley LLP, are leased to Company B for a term of 20 years. Whilst the individual lease agreements contain an 'option to renew', as the scheme is for 40 years, Board members should assure themselves that any implications at the end of the initial term are understood and documented.

18. Insurance

Whilst 'an offer of insurance from a reputable insurer' is the responsibility of Company A as part of the acquisition process and would form part of the purchasing solicitor's requirements from exchange of contracts, it is recommended that the Council's Board representatives satisfy themselves that a policy/policies are in place with an acceptable range and level of cover and that premiums are paid to date.

REVIEW OF THE MORE HOMES BROMLEY, LLP SCHEME19. Property Purchase Approval and Property Allocation.

Company A, when proposing properties for purchase in line with the Acquisition agreement, is required to submit an 'Offer Notice' supported by evidence including an independent valuation of the property and an estimate as to the cost of remedial works. The Council has delegated authority to accept or reject the offer contained in the Offer Notice. From a sample of 20 properties purchased, for five, formal authorisation, signed on behalf of the Council authorising Company A to purchase properties on behalf of the LLP, could not be located, although in all cases, correspondence was seen evidencing that discussions were ongoing. It was also noted that one property submission had been received on the template for another London Borough.

During the course of the audit, three of the 'Acceptance of Schedule 3 Offer notices' notices were re signed to formalise the process.

The Allocation element of the process (matching eligible households to properties), comprises five key stages commencing with the Notice of Availability (Nomination Request) and ending with the New Tenancy Notification. From a sample of 20 properties purchased, 17 had been notified as available for occupation. Of those, for only two properties could the documentation for all five stages be located.

20. Future schemes

Whilst it is acknowledged that this scheme is managed via a Limited Liability Partnership arrangement and not a more standard contractual arrangement, it is recommended that any future LLP schemes consider the benefit of a dedicated Project/Contract Monitoring Officer.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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 MORE HOMES BROMLEY, LLP SCHEME

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| 1. Governance | |
|---|--|
| <p><u>Finding</u> Whilst there are clear lines of accountability within strategic and operational roles, these, together with the governance arrangements for the scheme, are not formally documented.</p> <p><u>Risk</u> The lack of a clear, documented pathway leaves the scheme at risk of ineffective strategic oversight.</p> | |
| <p><u>Recommendation</u></p> <p>i) Roles and responsibilities of individuals and the Terms of Reference for each of the groups (e.g. Board) should be defined and documented to ensure oversight and critical enquiry of all areas of the scheme including:-</p> <ul style="list-style-type: none"> • Spend and financial forecasts against the model • Programme delivery issues • Key Performance Indicators • Risk and Strategic matters • Day to day operational aspects <p>ii) Whilst it is acknowledged that this scheme is managed via a Limited Liability Partnership arrangement and not a more standard contractual arrangement, consideration should be given to the benefit of a dedicated Project/Contract Monitoring Officer for any future schemes</p> | <p><u>Rating</u></p> <div style="border: 1px solid black; background-color: #ffc107; padding: 5px; display: inline-block;">Priority 2</div> |
| <p><u>Management Response and Accountable Manager</u></p> <p>i) Agreed – will be actioned. Director of Housing, Planning and Regeneration and Head of Finance, Adults Health & Housing</p> <p>ii) Agreed – will be kept under consideration for future proposals. Director of Housing, Planning and Regeneration and Head of Finance, Adults Health & Housing</p> | <p><u>Agreed timescale</u></p> <p>i) July 2020</p> <p>ii) Subject to future proposals</p> |

REVIEW OF MORE HOMES BROMLEY, LLP SCHEME

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

2. Strategic Assessment and Documentation of Risks**Finding**

The workstream does not have a Risk Register and therefore routine assessment of the risks associated with the delivery of the scheme could not be evidenced.

During the course of the audit, the following areas were identified, which could impact the workstream's ability to achieve its priorities and objectives and should therefore be considered for inclusion in the Risk Register.

- a) 'Gap' between the term position projected in the January 2020 Financial Model and that stated in the original Financial Model of June 2016
- b) Failure to acquire 400 properties within the financial envelope and timescales defined in the Financial Model
- c) Variance of the numerical and geographical target mix from that defined in the Business Plan
- d) Financial implications of cash balances not placed in interest bearing accounts since commencement of the scheme
- e) Financial implications of the Council's obligation to fund gross or net rent shortfalls incurred
- f) Refurbishment works exceeding the 12 week timescale and consequent delays in properties being available for letting and receipt of rental income
- g) Leasehold properties having less than 70 years unexpired lease in 40 years' time, being the modelled end date for the scheme, and the impact on marketability
- h) Leases granted in favour of Company B being for 20 years and therefore half the term of the scheme, although it is noted that there is an option to extend

Risk

Lack of identification, analysis and overall control of those risks which may impact on the workstream's ability to deliver its priorities and objectives.

REVIEW OF MORE HOMES BROMLEY, LLP SCHEME

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| | |
|---|--|
| <p><u>Recommendation</u></p> <p>The short and long term strategic and operational risks associated with the workstream should be identified, prioritised and recorded. Likelihood and Impact should be assessed and the controls and actions to reduce the risk exposure documented.</p> <p>The resultant Risk Register should be kept 'live' and under review by the Board.</p> | <p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p> |
| <p><u>Management Response and Accountable Manager</u></p> <p>Agreed – the risk register will be updated and subject to ongoing monitoring by the Board. Raised at the Board meeting in March 2020 - to be considered and agreed at the next Board meeting.</p> <p>Director of Housing, Planning and Regeneration and Head of Finance, Adults Health & Housing</p> | <p><u>Agreed timescale</u></p> <p>July 2020</p> |

REVIEW OF MORE HOMES BROMLEY, LLP SCHEME

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| 3. <u>Quality Assurance Arrangements/Key Performance Indicators</u> | |
|---|--|
| <p><u>Finding</u></p> <p>The Asset Management Agreement contains a suite of Key Performance Indicators. The last operational meeting for which minutes could be located was held on 27th June 2019. Whilst these minutes record that ‘no issues were raised with the KPIs during this meeting’, there is no evidence of critical challenge or that an operational meeting has been held subsequently.</p> <p>Lack of KPI data was identified at the Board meeting of 17th July 2019 and a data suite covering January 2018 to October 2019 was produced and reviewed by the Board on 6th December 2019.</p> <p><u>Risk</u></p> <p>Where there is no evidence of regular receipt of Key Performance Indicators as per the agreements and subsequent critical challenge, there is a risk that the More Homes Bromley LLP scheme is not delivering the service expected or achieving value for money.</p> | |
| <p><u>Recommendation</u></p> <p>A process is put in place to ensure that, going forward; all data set out in the binding agreements is received in line with the stated timescales and is subject to challenge at the appropriate level.</p> | <p><u>Rating</u></p> <div style="border: 1px solid black; background-color: #ffc107; padding: 5px; display: inline-block;">Priority 2</div> |
| <p><u>Management Response and Accountable Manager</u></p> <p>Agreed - With immediate effect the KPI’s were requested to be presented ahead of every meeting. If they are not, they are chased and discussed at every operational meeting, any issues are flagged to the Management Board which enables them to be escalated and discussed at the Board meetings.</p> <p>In addition, a folder is being set up on the More Homes Team site to enable all the operational documents to be stored so that they can be accessed at any time.</p> <p>Director of Housing, Planning and Regeneration and Head of Finance, Adults Health & Housing</p> | <p><u>Agreed timescale</u></p> <p>July 2020</p> |

REVIEW OF MORE HOMES BROMLEY, LLP SCHEME

DETAILED FINDINGS AND ACTION PLAN

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4. Business Plan, Financial Model and Management Accounts

Finding

- i) The Partnership Agreement states that the Board shall be responsible for the production of a draft updated Financial Model for each financial year and updating the Business Plan. Whilst the Financial Model, last updated January 2020, was tacitly accepted as undertaking the role of the ongoing Business Plan, it could not be confirmed that this was the intention of the Partnership Agreement or whether the original Business Plan had been subject to annual refresh.
- ii) Whilst the Financial Model was current and had been reconciled as at October 2019, it could not be confirmed that this had been subject to a regular six monthly reconciliation, an annual formal review or, that the management accounts and a management report, which should be prepared quarterly, had been scrutinised at the stated intervals.

Risk

Where there is no documented evidence that the Business Plan, Financial Model and Management Accounts are updated in line with the requirements of the Partnership documentation, and subjected to subsequent critical challenge by the Board, there is a risk that the More Homes Bromley LLP scheme is not delivering the service expected or achieving value for money.

Gaps and emerging risks between the projected term position stated in the original (June 2016) Financial Model and the current (January 2020) Financial Model may not be identified, and appropriate action may not be taken.

Recommendation

- i) The Board review the function of the original Business Plan, agree and document whether this has now been superseded by the Financial Model. Should the decision be that the Business Plan remains live, that it be updated in line with the requirements of the Partnership Agreement.
- ii) A process be put in place to ensure that:-
 - a) the Financial Model is subject to a minimum of a six monthly reconciliation and an annual formal review by the Board
 - b) the management accounts and management report are prepared quarterly and reviewed by the Board, and that all reviews are minuted. Actions arising should be clearly documented and followed up.

Rating

Priority 2

REVIEW OF MORE HOMES BROMLEY, LLP SCHEME

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| <u>Management Response and Accountable Manager</u> | <u>Agreed timescale</u> |
|---|-------------------------|
| i) Agreed - raised at the Board meeting in March 2020 - to be considered and agreed at the next Board meeting. Director of Housing, Planning and Regeneration and Head of Finance, Adults Health & Housing | July 2020 |
| ii) a) Agreed – this has been implemented. Head of Finance, Adults Health & Housing | April 2020 |
| b) Agreed – this has been implemented. Head of Finance, Adults Health & Housing | April 2020 |

REVIEW OF MORE HOMES BROMLEY, LLP SCHEME

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| | |
|--|--|
| <p>5. <u>Strategic File Management</u></p> | |
| <p><u>Finding</u></p> <p>The Strategic file management system is housed within a 'Sharepoint' site and contains information such as Legal documents and advice, meeting minutes and Key Performance Indicators. Dates on the site indicate that it was not incepted until 2018 and was not, therefore, the primary repository until that stage. Historic documentation is ad hoc in nature and file structures such as the meeting minutes have been amended throughout the course of the scheme with, for example, the addition of a 'Board' file for documentation from August 2019, to coincide with the formalising of the Board meeting process. It could not be established that all relevant documentation (e.g. all meeting agendas, minutes and attachments together with all Key Performance Indicator data), had been uploaded to the system, or indeed that the meetings had consistently taken place at the required frequencies and undertaken the functions set out in the partnership documentation.</p> <p>The scheme is recorded on the Contracts Database system which also holds some agreement and authorisation documents and management information.</p> <p><u>Risk</u></p> <p>A full audit trail may not be available.</p> | |
| <p><u>Recommendation</u></p> <p>The contents of both repositories (the Sharepoint site and the Contracts Database system) are reviewed and realigned where appropriate. The Contracts Database should contain a complete set of the master documents making up the agreement as this will enable continuity of accessibility should personnel on the workstream change.</p> | <p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p> |
| <p><u>Management Response and Accountable Manager</u></p> <p>Agreed – a review will be undertaken on both systems and the structures reviewed and realigned where appropriate ensuring all the contractual documents are on the Contracts Database and the Sharepoint site easier to navigate.</p> <p>Director of Housing, Planning and Regeneration and Head of Finance, Adults Health & Housing</p> | <p><u>Agreed timescale</u></p> <p>October 2020</p> |

REVIEW OF MORE HOMES BROMLEY, LLP SCHEME

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| 6. <u>Insurance</u> | |
|--|--|
| <p><u>Finding</u> Whilst ‘an offer of insurance from a reputable insurer’, is the responsibility of Company A as part of the acquisition process, policy details are not known to the Council’s More Homes Bromley Board members.</p> <p><u>Risk</u> In the event of a claim, lack of recourse to an insurer would increase the scheme’s financial exposure.</p> | |
| <p><u>Recommendation</u> The Council’s More Homes Bromley Board members satisfy themselves that a policy/policies are in place with an acceptable range and level of cover and that premiums are paid to date.</p> | <p><u>Rating</u> <div style="border: 1px solid black; background-color: yellow; padding: 2px; display: inline-block;">Priority 2</div></p> |
| <p><u>Management Response and Accountable Manager</u> Agreed - raised at the Board meeting in March 2020 - to be reviewed at the next Board meeting. Director of Housing, Planning and Regeneration and Head of Finance, Adults Health & Housing</p> | <p><u>Agreed timescale</u> July 2020</p> |

REVIEW OF MORE HOMES BROMLEY, LLP SCHEME

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| 7. <u>Property Purchase Approval and Property Allocation</u> | |
|---|---|
| <p><u>Finding</u> As at the time of the audit, from a sample of 20 properties:- i) Five ‘Acceptance of Schedule 3 Offer notices’, signed on behalf of the Council authorising Company A to purchase properties on behalf of the LLP, could not be located, although in all cases, correspondence was seen evidencing that discussions were ongoing. During the course of the audit, three of the Acceptance notices were re signed to formalise the process. ii) Seventeen had been notified as available for occupation. Of these, for only two properties could the documentation for all five stages in the process be located.</p> <p><u>Risk</u> i) Properties may be purchased which have not been formally authorised by the Council. ii) A full audit trail may not be available</p> | |
| <p><u>Recommendation</u> i) That each property purchase be formally authorised in writing prior to commencement of the process. ii) That each stage of the Allocation process be correctly documented.</p> | <p><u>Rating</u> <div style="border: 1px solid black; background-color: #90EE90; padding: 5px; display: inline-block;">Priority 3</div></p> |
| <p><u>Management Response and Accountable Manager</u> Agreed – Officers now have a process in place which sees the process mapped out using a spreadsheet to ensure that all the paper work and required authorisations and at each stage the relevant documents are provided. This will be uploaded into the shared area on the Sharepoint site going forward. Director of Housing, Planning and Regeneration and Head of Finance, Adults Health & Housing</p> | <p><u>Agreed timescale</u> April 2020</p> |

REVIEW OF MORE HOMES BROMLEY, LLP SCHEME

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| 8. <u>Filing of Accounts at Companies House</u> | |
|--|---|
| <p><u>Finding</u> The 2018/19 audited accounts had been filed at Companies House on 23rd November 2019 (the deadline for filing being 31st December 2019). This was prior to formal sign off by the Board at their meeting of 6th December 2019, although it was noted that the Board had received the draft accounts and they had been approved in principle.</p> <p><u>Risk</u> Filed accounts may not be as approved by the Board.</p> | |
| <p><u>Recommendation</u> Formal approval of the Board must be received prior to filing accounts at Companies House.</p> | <p><u>Rating</u> <div style="border: 1px solid black; background-color: #90EE90; padding: 2px; display: inline-block;">Priority 3</div></p> |
| <p><u>Management Response and Accountable Manager</u> Agreed - raised at the Board meeting in March 2020. Company A Group’s Finance Director assured the Board that this will not happen again. Director of Housing, Planning and Regeneration and Head of Finance, Adults Health & Housing</p> | <p><u>Agreed timescale</u> April 2020</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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REVIEW OF REGISTRARS



FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVES DEPARTMENT

REVIEW OF REGISTRARS

Issued to: Duncan Bridgewater, Assistant Director- Customer Services
Linda Johnson, Team Manager - Registrations
Tina Hawkins, Team Manager – Business Support
Charles Obazuaye, Director of HR and Customer Services
Keith Lazarus, Head of Finance, ECS and Corporate

C.c. Alison Parr, Team Manager – Registrations

Prepared by: Principal Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 18th May 2020

Report No.: CEX/17/2019/AU

REVIEW OF REGISTRARS

INTRODUCTION

1. This report sets out the results of our audit of Registrars. 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 Head of Service had requested this audit to review the processes in place to record, reconcile and account for income collected. 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 objective was to review the adequacy and application of the control framework put in place for the cash minimisation programme and the access arrangements to the registrars' offices to ensure that security risks are mitigated
3. The income collected by this service is either statutory with fees set nationally and exempt from VAT or non statutory which would be vatable. Income is collected in advance for planned events spanning financial years and is important to accurately show income in the correct year. This service is subject to external inspection by Registrars General office. The budgeted income for Registrars 2019/20 was £602,040 across all their income streams. The actual income to the end of February 2020 was £662,361, accounting for the advance fees of £76,917. Registrars became a cashless service in February 2019
4. Registrars utilise an IT system to diarise bookings and events that could be developed to facilitate additional financial functions currently undertaken manually. This audit has reviewed the current procedures to collect, record, reconcile and account for income collected by the Registrars Service. Although Internal Audit will not comment on the need or the potential to develop new processes we would support any development to streamline processes that maintained an acceptable level of controls.
5. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

6. The original scope of the audit was outlined in the Terms of Reference issued on 12th August 2019
The key risk areas were identified as being:-
 - Income collected is not accurately recorded, banked or represented in the Authorities accounts.

REVIEW OF REGISTRARS

- Reconciliation of income is not completed in a timely manner, supported by system reports or authorised by the appropriate officers.
 - Income collected may not agree to the published fees and charges
 - Inadequate security access to the General Office and main safe.
 - Staffing pressures caused by an increase in life events may lead to a drop in standards, potential breach of statutory duty and loss of confidence from residents.
7. The controls in place to mitigate the impact of the key risk areas specified above were examined. Controls relating to corporate and departmental risks will also be examined where applicable. Our audit will include a review of relevant documentation, interviews with key officers and testing of related procedures and processes.

AUDIT OPINION

8. 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 | 3 | 2 |

REVIEW OF REGISTRARS

SUMMARY OF FINDINGS

9. The audit has been carried out over a period of time, interrupted by other audit priorities and availability of offices in the Registrars team due to work pressures derived from statutory changes.
10. Interviews and testing have been completed in most of the areas identified in the audit work programme however the sample testing for the daily income was not completed due the current Coronavirus crisis. However the walk through tests undertaken for the daily income and monthly reconciliation gave an adequate level of assurance that the controls were working well in both these areas. The procedures for daily income reconciliation are labour intensive and rely on officers to identify errors. The templates and spreadsheets are reliant on the expertise and knowledge of the Team Manager who is due to leave the organisation at the end of May 2020. It is acknowledged that a process to share knowledge, roles and responsibilities has been initiated. Interviews with the system administrator (IS contractor) and the Head of Financial Systems indicate that there is reporting functionality that could be utilised and developed to record, reconcile and report income.
11. Overall the collection of income, recording, reconciliation and accounting for it, is well controlled. Officers demonstrated a good understanding of controls and accountability; a hierarchy of authorisation and separation of duties. The General Office is secured and only accessed by Registrars staff from the main corridor. The latest external review by the Registrars General in July 2018 concluded that “there are good security arrangements in place at the Registers office” it was also noted that “a good emphasis on office security by staff was evident and good administrative procedures”.
12. The mitigating controls identified on the departmental risk register were evidenced . The Registrars Team operate a casual bank of staff to officiate as registrars allowing the team to manage any peaks in demand.
13. The audit has identified the following issues to be considered by management:-
 - The supporting documentation for refunds had not been retained and available for audit examination, this was not in compliance with the retention of records policy declared by Registrars on the Corporate schedule.
 - There were issues arising reconciling the income collected for advertising to the declared rates for inclusion in the brochure.
 - Advance payments for events had not been correctly shown in the monthly report to Finance. The IT booking system did not show income collected for 1 out of 16 events checked.
 - Registrars celebrants attend private and contract funerals; the income derived from this service had not been correctly shown in the Authority’s accounts as vatable income

REVIEW OF REGISTRARS

- Procedure notes were not available for all areas of the income collection processes including refunds and advance payments. The procedure notes evidenced for the completion of cash sheets were not owned or dated.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

14. 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 REGISTRARS

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>Refunds and Retention of Records Online payments are used to collect most income via a payment system. Refunds are actioned via the same online system and will relate to cancelled events or certificates incorrectly requested from Bromley Registrars when the customer has applied to the wrong district. Refunds are restricted to either of the two Team Managers. The walk through test identified that the supporting documentation presented was annotated with informal notes with no date or ownership.</p> <p>From the Income report ran on the 4/3/20 a sample of 10 refunds was selected for audit testing. At a meeting with the Team Manager on the 5/3/20, it was confirmed that all supporting documentation prior to December 2019 had</p> | <p>Unauthorised payments are made from the Authority's accounts as refunds.</p> <p>Inadequate audit trail if records have not been retained to</p> | <p>The refund process should be available as a formalised procedure note.</p> <p>As with other refunds issued from the Authority the refund should be supported by a formal template, setting out the reason for the refund, dates, cross referenced information to identify the original payment and the authorisation. Any annotation should be dated and "owned" by the officer creating the record.</p> | <p>Formal refund procedure to be drafted to include instructions on how they are processed through the system and/or refund by cheque if ever required. Template to manage refund requests to be included and these to be retained for the period outlined on the retention schedule</p> | <p>Team Manager, Business Support</p> <p>Oct 2020</p> |

REVIEW OF REGISTRARS

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>recently been disposed and we were therefore unable to complete the audit test.</p> <p>Registrars had completed their retention of records policy, in line with the Corporate policy and posted on One Bromley. This document detailed a service retention policy of 3 years for income activity and/or routine correspondence.</p> | <p>support all refunds and therefore possible fraudulent payments.</p> | <p>The Information Asset Owner for Registrars should ensure that the retention schedule is followed for financial records and correspondence to support the refund.</p> <p style="text-align: center;">Priority 2</p> | | |

REVIEW OF REGISTRARS

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

| No | Finding | Risk | Recommendation and Priority *Raised in previous Audit | Management Response | Agreed timescale and responsible manager |
|----|--|---|--|--|---|
| 2 | <p>Charging for Advertisements The charges for advertising in the Registrar’s Office (corridor and waiting room) are included in the fees and charges schedule. The cost of advertising in the annual brochure “Bromley – A special place to celebrate” is issued to contributors via an invite e-mail. A 10% discount for early return was offered. All adverts placed in the 2019/20 brochure were checked to the income collected and the summary spreadsheet maintained by the Team.</p> <p>The main issues arising are summarised below the details at appendix C:-</p> <ul style="list-style-type: none"> For 1 provider income was collected but not included in the brochure. | <p>Inconsistency in the charging for adverts that may result in challenge of favouritism.</p> <p>All income due to the Authority may not be collected</p> | <p>Registrars will need to retain an adequate audit trail to evidence that all contributors had met the deadline and /or extensions to benefit from the 10% discount.</p> <p>A check on the brochure should confirm the inclusion of all adverts for which income has been received.</p> | <p>Extend existing spreadsheet record of advertising orders placed in printed publications by external providers, to include deadline for special offer rates and dates orders received, any subsequent changes in sizes etc. and check and sign off when proof-reading final draft before printing/publication.</p> | <p>Team Manager, Business Support</p> <p>Oct 2020</p> |

REVIEW OF REGISTRARS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| No | Finding | Risk | Recommendation and Priority *Raised in previous Audit | Management Response | Agreed timescale and responsible manager |
|----|---|------|--|---------------------|--|
| | <ul style="list-style-type: none"> 1 provider charged for 1/8th size but the actual advert was 1/4 . Need to evidence that 10% had been correctly applied. <p>On two visits to the Registrars offices on the 20/11/19 and 11/3/20 the adverts displayed in the waiting room and corridor were recorded and satisfactorily checked to income collected for 27 suppliers.</p> | | <p>Supporting documentation should give an adequate audit trail to evidence when a payment is made to qualify for any discount, size and type of advertisement. The spreadsheet should be extended to cross reference to actual income collected. Any changes to original orders must be retained to allow reconciliation to income received.</p> <p style="text-align: center;">Priority 2</p> | | |

REVIEW OF REGISTRARS

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>Advance Payments for Events Registrars receipt income as advanced payments for events booked in future financial years. The income is shown separately on the daily income sheet and reported monthly to Finance to allow provision at year end. Advance payments taken for 2020/21, up to and including Febuary was £76,217.</p> <p>A sample week of the 15/6/20 to the 21/6/20 was selected to check the income to the agreed charge for the event and then to the IT system diary for that week.</p> <p>For the 16 events planned the fees had been correctly applied and the £100 deposit collected. However the comparison of income to the IT system identified the following:-</p> | Income is incorrectly shown in the Authority's accounts for services delivered in each financial year. | The Department should review their procedure to reconcile and report advance income. | Conduct a complete review of systems, coding and processes used to reconcile the income and advanced fees of the service, considering greater use of automation and utilisation of existing systems/reports available corporately. Develop clear and simple to follow procedural guidance, automated alerts where possible to mis-coding. | Assistant Director- Customer Services Live by April 2021, agreed in principle by Dec 2020. |

REVIEW OF REGISTRARS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| No | Finding | Risk | Recommendation and Priority *Raised in previous Audit | Management Response | Agreed timescale and responsible manager |
|----|---|--|---|---------------------|--|
| | <ul style="list-style-type: none"> • 1 advance payment had been reported with a 2020 date in error, should have been 2021. • 1 payment of £600 reported was subsequently cancelled • 1 event with a £100 deposit not reported to Finance • 1 event not showing as income on the Finance report or updated to the IT system but manual documents show £100 deposit taken on the 28/5/19. | <p>All income may not have been receipted and the online Registrars system may not reflect all income collected.</p> | <p>The errors identified in the audit testing should be remedied to ensure income is accurately recorded in the Authority's accounts.</p> <div style="text-align: center; margin-top: 10px;"> Priority 2 </div> | | |

REVIEW OF REGISTRARS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| No | Finding | Risk | Recommendation and Priority *Raised in previous Audit | Management Response | Agreed timescale and responsible manager |
|----|--|--|---|---|---|
| 4 | <p>Registrars - celebrants</p> <p>Registrars provided the schedule for private and contract funerals for 2019/20 as at 9.3.20. This was matched to the declared fees to verify the charges and to the income report to verify completeness and timeliness.</p> <p>The main issues arising are detailed at appendix C and summarised below:-</p> <ul style="list-style-type: none"> • The current fees and charges schedule did not include all income charged and collected. • Standard VAT had had been applied to the 3 private funerals but not the 10 community funerals. The VAT Accountant sought external advice and confirmed that the celebrant service was vatable. The | <p>Inadequate transparency regarding the fees and charges applied by the Registrars.</p> <p>HMRC penalties incurred for incorrectly accounting for income that is categorised as vatable.</p> <p>Incomplete income records do not allow adequate reconciliation.</p> | <p>All charges collected by Registrars should be supported by displayed fees and charges or supported by an adequate audit trail.</p> <p>The monthly reconciliation should identify that vatable charges have been correctly shown in the Authority's accounts.</p> <p>Income should be supported by adequate referencing.</p> <p>Any new category of income to be agreed with Finance to ensure that income is correctly treated with regard to VAT</p> <div data-bbox="1021 1190 1312 1254" style="text-align: center; border: 1px solid black; background-color: #92d050; padding: 5px; width: fit-content; margin: 10px auto;"> <p>Priority 3</p> </div> | <p>Conduct a complete review of income systems and processes used to collect and reconcile charges. To consider greater use of automation and utilisation of existing systems/reports available corporately. Develop clear and simple to follow procedural guidance, automated alerts where possible to mis-coding.</p> | <p>Assistant Director- Customer Services</p> <p>Live by April 2021, agreed in principle by Dec 2020</p> |

REVIEW OF REGISTRARS

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>Senior Accountant has made the corrections (income value of £773) and advised that although the income was shown against the correct vatable code, cashiers had not processed the income as vatable. This has been followed up with the Exchequer contractor to ensure this income is correctly coded.</p> <ul style="list-style-type: none"> • The Registrars summary sheet was not showing the up to date income information. • The cash receipting system and then upload to the Authority's accounts did not show the name of the deceased for 9/12 cases checked to allow cross reference and reconciliation • Monthly reconciliation and budget monitoring had not identified the VAT error. | | | | |

REVIEW OF REGISTRARS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| No | Finding | Risk | Recommendation and Priority *Raised in previous Audit | Management Response | Agreed timescale and responsible manager |
|----|--|---|---|--|---|
| 5 | <p>Procedures for Cash Sheets The team evidenced procedures to support completion of the daily cash sheets. These are detailed notes however during the two walk through tests it was difficult to follow through step by step for the daily checks and reconciliation. One of the controls is that the cash sheet template has an “ok” display if all values agree but this is not included in the procedures. The Registrars print out the online payments report daily and attach but the General Office do not retain this system report.</p> <p>During the walk through test with General Office staff the daily sheet did not tally and reconcile and for the second stage reconciliation the Team Manager had to resolve the issue given her understanding of the spreadsheets and</p> | <p>Procedures may not be consistently adhered to by all staff. Controls may not be followed if not committed to written procedures.</p> | <p>The procedure notes should set out the step by step process, incorporating screen shots and examples of all records as needed.</p> <p>The Team should ensure that all staff have a good understanding of the daily cash routine and reconciliation to allow adequate business continuity if the Team Manager Registrations is not available to resolve any issues.</p> | <p>Conduct a complete review of systems, and processes for income collection and reconciliation. To consider greater use of automation and utilisation of existing systems/reports available corporately. Develop clear and simple to follow procedural guidance, automated alerts where possible to mis-coding.</p> | <p>Assistant Director- Customer Services</p> <p>Live by April 2021, agreed in principle by Dec 2020</p> |

REVIEW OF REGISTRARS

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>record keeping.</p> <p>It is acknowledged that the records for daily income and reconciliation are time consuming and labour intensive but do offer robust scrutiny and control in a timely manner to identify errors the next day. However the Team need to consider any functionality offered by the IT system and online payment system that could streamline these processes.</p> <p>The procedure notes were not dated, owned or stated a revision date.</p> | | <p>The Team need to consider any functionality offered by the Registrars IT system and online payment system that could streamline these processes.</p> <p>Procedure notes should be owned, dated and a revision date embedded into the footer of the document.</p> <p style="text-align: center;">Priority 3</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. |

DETAILED FINDINGS**Finding 2 – Charges for advertising**

The charges for advertising in the Registrar's Office (corridor and waiting room) are included in the fees and charges schedule. The cost of advertising in the annual brochure "Bromley – A special place to celebrate" is issued to contributors via an invite e-mail. A 10% discount for early return was offered initially before 31st December and then extended.

All adverts placed in the 2019/20 brochure were checked to the income collected. The main issues arising are summarised in finding 4 above, the details are as follows:-

- 1 provider was charged for 1/8 but actual advert was 1/4 – (£150 should be £280)
- 1 provider shown on the income summary but was not in the brochure – (£112.50),
- The charges shown on the summary report shows that income had been collected in April and May 2019, the team will need to evidence that 10% had been correctly applied. It was established that the deadline date was extended past 31/12/2018 and commissions were accepted at Wedding Fairs. The values credited to the account are not consistent with the agreed charges detailed in the invitation letter less VAT or less 10%. The actual values credited to the advertising income will need to be evidenced by Registrars as it is not clear on what basis the charges have been imposed and any supporting documentation should be retained as an adequate audit trail.

On two visits to the Registrars offices on the 20/11/19 and 11/3/20 the adverts displayed in the waiting room and corridor were recorded and compare to income collected; 27 suppliers were satisfactorily checked.

Finding 4 - Registrars celebrants – attendance at private and contract funerals

- the charge for funeral celebrants was included on the 2018/19 and 2019/20 schedule of fees but not the current (2019/20 and 2020/21)
- The Registrars record of celebrants attendance at funerals shows a charge of £100 for the scattering of ashes, but this is not included on the fees and charges schedule. The Head of Service confirmed that this was a one off charge that he had agreed and would have been supported by an e-mail trail. .
- The schedule showed 3 private funerals which agreed to the report generated by Finance and that the income included standard VAT. However for one transaction the income had been journaled but the VAT was not correctly accounted for; Finance to correct and Registrars to be advised.
- For one private funeral, based on the £200 charged and collected, the funeral director was the Council' contracted provider –Registrars to confirm that this was a private funeral
- For the 10 contract funerals shown on the Registrars schedule, £160 charge has been collected but no VAT deducted, indicating that this is non vatable income. Exchequer Manager confirmed that LBB pay the Council's funeral contractor for the celebrant. The VAT

DETAILED FINDINGS

accountant sought external advice to confirm that this service should be vatable. The Head of Service Registrars confirmed that this income would be vatable as did the Team Manager. The gross amount of £160 was shown on the 8207 code but VAT was not deducted. Finance checked with the Exchequer contractor (cashiers) to verify why income from the Councils funeral contractor is not coded to account for VAT and have now informed Cashiers to ensure that this is remedied moving forward.

- For 3 funerals that took place on 6/2/20, 25/2/20 and 4/3/20 no income was shown as being collected on the Registrars summary sheet. It is assumed that all three were contract funerals given the funeral director. The cash receipting system shows £160 for the first two dates, the 4/3/20 was only 1 week prior to testing so accepted time lag.
- The cash receipting system and then upload to the Authority's accounts did not show the name of the deceased for 9/12 cases checked.



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

TREASURY MANAGEMENT 2019-20

Issued to: Tracey Pearson, Chief Accountant
Katherine Ball, Principal Accountant
Peter Turner, Director of Finance

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

Reviewed by: Head of Audit and Assurance

Date of Issue: 19 March 2020

Report No.: CEX/03/2019/AU

INTRODUCTION

1. This report sets out the results of our internal audit of Treasury Management. 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 arrangements in place for oversight and control over Treasury Management activities which impact on the reliability of records, integrity of information and compliance with relevant regulations.
3. The Technical and Control Team (Financial Services) is responsible for the oversight and management of the Council's Treasury function. The key objectives of Treasury Management are to manage the Council's cash flow effectively and invest surplus monies in low-risk counterparties or instruments commensurate with the Council's low risk appetite. As at 9th March 2020 the Council had current investments amounting to £343.6 million. The Council has no external borrowings.
4. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

5. The scope of the audit was outlined in the Terms of Reference issued in February 2020.
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 Treasury Management process:
 - Where investments are not monitored by the Council, there may be no knowledge of when existing investments mature or when new investments need to be considered and as a result the Council may miss investment opportunities and lose money.
 - Where appropriate forecasting is not prepared by the Council at regular intervals, it may not be possible to determine if adequate funds are available at the correct time. Therefore, it may not be possible to determine if surplus funds are available

when an opportunity rises. The Council may invest money when they have insufficient funds which will result in reputational and financial damage.

- Where full details of each loan taken out are not held, there may be problems in the general management of this area. If authorisation is not obtained within delegated limits, any permission given to invest will fall outside the Council's scheme of delegation. Therefore, there is a risk the Council's funds may be misappropriated.
- Where there is an inadequate segregation in duties, opportunities to commit fraud may not be adequately reduced.
- Where loans are not reconciled to the general ledger, any differences may not be identified and investigated. The Council's investments may be put at risk and the overall impact on the organisation may be financial loss.

AUDIT OPINION

8. 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 | 0 |

SUMMARY OF FINDINGS

9. Controls noted to be in place and working effectively, based on the audit testing conducted, included:
- A Treasury Management Strategy and Investment Strategy for 2019/20 were formally approved by the Executive, Resources and Contracts PDS (Policy, Development & Scrutiny) Committee on 7th February 2019, and then approved by the Full Council on 25th February 2019.
 - Treasury staff have access to a 'Treasury and Banking Procedures' document which has been recently updated.
 - The Principal Accountant responsible for Treasury activities receives daily updates from the Council's Treasury Advisor.
 - Quarterly Treasury Management meetings are attended by the Principal Accountant, Chief Accountant and Director of Finance.
 - Testing of a sample of 10 investments (five fixed term investments and five money market fund investments) established that:
 - the investments were made with approved counterparties (per Annex 2 to the Investment Strategy for 2019-20).
 - a confirmation sheet from the relevant broker was retained for each investment.
 - total current investments with each counterparty as at 10th March 2020 did not exceed the limit for the counterparty (per Annex 2 to the Investment Strategy for 2019-20).
 - the CHAPS Request Form was signed by the person who entered the transaction on CHAPS, and also signed by the two people who approved the transaction on CHAPS. In each case the approvers were authorised persons according to the 'Summary List of Authorisers for on-line banking' incorporated in the 'Treasury and Banking Procedures' document.
 - Testing of the sample of fixed term investments established that they were approved in advance by either the Director of Finance or, in his absence, Chief Accountant.
 - Full details of current investments are recorded in an 'Investment and Borrowing Portfolio' Excel workbook, which includes a ledger spreadsheet for each money market fund used by the Council.

- The Principal Accountant maintains a 'Daily Balance' spreadsheet which shows daily movements (new investments and investments maturing) and the end-of-day balance for total investments.
- Testing of two repayments of investments maturing in 2019/20 established that the principal sums repaid and interests received were correctly recorded in the Authority's accounts.
- The Principal Finance Officer carries out a formal reconciliation of the total balance of investments shown in the Authority's accounts with Treasury records for each quarter. These are independently reviewed and certified by the Principal Accountant. Due to staff vacancies, reconciliations for the first three quarters of 2019/20 were carried out by the Senior Accountant (technical & control) and certified by an independent reviewer (another Senior Accountant) and supporting documents for the reconciliations were available in Excel workbooks.
- The Principal Accountant responsible for Treasury activities reconciles the balances on the 'Counterparty List', 'Investment and Borrowing Portfolio' and 'Daily Balance' spreadsheet at the end of each day. On 10th March 2020 each record had a balance of £343.6 million for current investments.
- The Chief Accountant submitted a 'Quarter 2 Performance and Mid-Year Review Report' on Treasury Management activities for 2019/20 to the Executive, Resources and Contracts PDS Committee on 20th November 2019. The report stated that no key changes to the Treasury Management Strategy for 2019/20 were required.
- The Chief Accountant submitted a 'Quarter 3 Performance Report' relating to Treasury Management activities to the Executive, Resources and Contracts PDS Committee on 5th February 2020. The performance report for Quarter 1 has been discontinued following a decision made by Council on 10th December 2018.
- The Chief Accountant submitted an annual report on Treasury Management activities for 2018/19 to the Executive, Resources and Contracts PDS Committee on 3rd July 2019.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10. There were no recommendations arising from our work.

TREASURY MANAGEMENT 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 |
|----|---------|------|--|---------------------|--|
|----|---------|------|--|---------------------|--|

There are no recommendations arising from our work.

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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INTERNAL AUDIT FINAL REPORT

CORPORATE SERVICES

REVIEW OF CONTRACTS COMING TO AN END

Issued to: Mark Bowen, Director of Corporate Services
Laurence Downes, Assistant Director, Governance & Contracts
Maddy Hayes, Head of Procurement

Prepared by: Principal Auditor
Trainee Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 22 June 2020

Report No.: CEX/19/2019/AU

REVIEW OF CONTRACTS COMING TO AN END

INTRODUCTION

1. This report sets out the results of our audit of contracts coming to an end. 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 continually has contracts which are coming to an end and will need to be re-tendered. This area was included in the 2019-20 Annual Audit Plan to ensure that the key risks, set out below when contracts are coming to an end, are addressed through appropriate controls and procedures. It is a subject which has not been audited previously.
3. We would like to thank everyone 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.
5. We identified the following key risks:
 - The re-tendering of the contract does not take place properly, without the necessary resources, expertise and experience required.
 - The existing contract is not re-tendered within sufficient time and has to be extended, leading to poor value for money.
 - Lessons learned from managing the current contract are not identified and implemented going forward.

REVIEW OF CONTRACTS COMING TO AN END

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 | 1 | 0 |

SUMMARY OF FINDINGS

7. There is a Procurement Board chaired by the Assistant Director of Governance & Contracts which oversees procurement and contract management throughout the Council. It meets monthly and is attended by key representatives from Directorates, with contract owners attending as required. There is a work plan for all contracts which is RAG rated and monitored by the Board to keep track of progress on all relevant contracts, including those contracts which are due to end within the next twelve months. The work plan is subsequently reported to Chief Officers and the Corporate Leadership Team with a commentary and setting out any particular areas where action needs to be taken.
8. We confirmed that there is guidance and training given to contract owners which emphasises the need to allow sufficient time for tender or contract action to take place. It also points out that there will be a challenge and possibly a sanction where this is not complied with. We identified one contract in our sample which, from information included in the Gateway Report,

REVIEW OF CONTRACTS COMING TO AN END

explained that insufficient time was available for another procurement exercise, but there was also a justified reason for requesting an extension to the contract for twelve months. There were two other contracts where an extension had been awarded and these also demonstrated that a satisfactory reason for the extension had been given, within the timescale required.

9. The Contracts Database shows the end date for all contracts and has a Contract Register Commentary for contract owners to complete each quarter. We confirmed that it had been completed and kept up-to-date for all of the relevant contracts in our sample i.e. those over £50,000 in value. We were also able to evidence that, for the contracts in our sample, officers with the appropriate authority, skills and knowledge had been involved in the re-tendering of the contract.
10. We were unable to evidence that any lessons learned following the end of a contract have been identified and communicated to other contract owners. Whilst this would not be appropriate for all contracts, the sharing of knowledge, experience and successful outcomes would help other contract owners managing similar contracts.

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 CONTRACTS COMING TO AN END

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| | |
|--|---|
| 1. Lessons learned | |
| <p><u>Finding</u></p> <p>We were unable to evidence that any lessons learned following the end of a contract have been identified and communicated to other contract owners and managers. Whilst this may not be appropriate for all contracts, the sharing of knowledge, experience and successful outcomes would help other contract owners managing similar contracts.</p> <p><u>Risk</u></p> <p>Areas of good practice or risks identified from managing a contract may not be identified and communicated to other contract owners.</p> | |
| <p><u>Recommendation</u></p> <p>The Assistant Director of Governance and the Head of Procurement should put arrangements in place for a lessons learned review to be carried out at the end of a contract, where appropriate.</p> | <p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p> |
| <p><u>Management Response and Accountable Manager</u></p> <p>This recommendation derives from 23.6 of the Contract Procedure Rules which states the following:</p> <p>23.6 <i>Where the Total Value of the contract exceeds £500,000, the Officer must make a written report to the relevant Portfolio Holder evaluating the extent to which the Procurement need and the contract objectives (as determined in accordance with Rule 5.2) were met by the Contract. This should be done normally when the Contract is completed. Where the Contract is to be re-let, a provisional report should also be available early enough to inform the approach to re-letting of the subsequent Contract and the authorisation requirements identified in Rule 5.1 and 16.6 above.</i></p> | <p><u>Agreed timescale</u></p> <p>Already in place; Timescale for CPR review to be determined but expected in 2020</p> |

REVIEW OF CONTRACTS COMING TO AN END

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

Custom and practice has shown that this requirement has not been adhered to for at least eleven years, and most likely much longer. As part of the 2020 review of Contract Procedure Rules, this specific requirement has been removed – although this is still to be formally agreed by Members, the decision making process having been delayed due to Covid 19 disruption.

Therefore no specific action is proposed for this recommendation at this time, pending finalisation of the revised Contract Procedure Rules.

Instead, the following should be noted:

- i) All contracts with a value of £500k or higher are subject to an annual report to the Portfolio Holder (as per 23.2 of the Contract Procedure Rules which will remain unchanged). This report should cover a range of aspects including performance, compliance with specification and contract and other factors (23.5 of the Contract Procedure Rules). 23.5 can be amended to reflect that consideration of how successfully the Procurement need and contract objectives have been met.
- ii) Similarly, authorisation to proceed to procurement for an existing contract that is coming to the end of its life requires Agreement from the Portfolio Holder if over £500k whole life value via completion of a suitable Gateway report. As indicated in 23.6, such reports should include reference to the effectiveness of the existing contract.
- iii) A quarterly meeting of Contract Owners is already in place and has been meeting regularly since 2019 (currently disrupted due to Covid 19). Prior to this, a quarterly Commissioners meeting was in place for the previous two years. This forum is intended to provide support, advice, guidance, information and discussion on a range of commissioning and procurement topics. Agendas have included presentations from Contract Owners on ‘lessons learned’ from procurement and contract management activity. This is the most appropriate mechanism to support a learning culture between Contract Owners on procurement matters and is already in place.

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
CHILDREN'S SOCIAL CARE DEPARTMENT

REVIEW OF LOOKED AFTER CHILDREN

Issued to: Cathy Lloyd Williams, Head of Service, Children Looked After (CLA) & Care Leavers,
Janet Bailey, Director, Children's Services,
Tom Schaub-Jones, Group Manager (16+ Leaving Care Team),
Vicky West, Head of Permanency Service & DCT,
Debi Christie, Head of SEN Service,
David Dare, Assistant Director, Children's Social Care,
Naheed Chaudhry, Assistant Director, Strategy, Performance and Corporate Transformation,
Ruth Wood, Head of Service, Placements & Brokerage,
David Bradshaw, Head of Service, Finance Education, Care and Health Services (ECHS).

Prepared by: Principal Auditor
Reviewed by: Head of Audit & Assurance,
Date of Issue: May 5th 2020
Report No.: ECHS/12/2019/AU

REVIEW OF LOOKED AFTER CHILDREN

INTRODUCTION

1. This report sets out the results of our audit of Looked After Children. 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. Where a decision has been made that a child requires a residential placement, the child's social worker should request a placement by submitting a referral to the Central Placements team.
3. In making this request, the social worker will be asked to provide information about the child, the type of placement sought, the Care Plan, the date by which the placement is required, the likely length of time for which the placement is required and the expected level of contact between the child and parents. The social worker should also outline any risks associated in making the placement.
4. The Placement Officer will check whether a residential placement is available that appears to be appropriate to meet the child's needs. If such a placement is available or if there is a possibility of a placement by the required date, the social worker will be advised accordingly.
5. If no appropriate in-house fostering placements are available and the child requires a placement without delay, the Placement Officer will obtain the agreement of the Head of Service for the child being placed and contact other providers to identify a suitable placement.
6. Applicable legislation is Children's Act 1989 and Care Planning, Placement and Care Review Regulations 2010.
7. A sample was selected from a report provided by the Head of Service as this contained all the current residential placements within the looked after children service.
8. It should be noted that the current Head of Service and Group Manager have not been in post for long.
9. We would like to thank all staff contacted during this review for their help and co-operation.

REVIEW OF LOOKED AFTER CHILDREN

AUDIT SCOPE

10. The original scope of the audit was outlined in the Terms of Reference issued on 15/7/2019 and commencement in September 2019.

The key risks covered within this audit included the following:-

- Assessment & Reviews are not undertaken as expected.
- Payments for Placements are not correct.
- Residential placements are not procured as expected.
- Monies are not recovered in relation to joint funding arrangements.

REVIEW OF LOOKED AFTER CHILDREN

AUDIT OPINION

11. 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 |
| 1 | 6 | 1 |

SUMMARY OF FINDINGS

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

a) Pathway Plans

It was found through testing that one of the Pathway Plans for Sample 17 dated 2/12/19 had not been authorised at the time of testing. This was retrospectively authorised by the Head of Service on 18/3/20.

REVIEW OF LOOKED AFTER CHILDREN

b) Contract Queries

The following queries arose with the following sample cases at the time of testing :-

- The contract in respect of Sample 4 has a start detailed of 19/11/19 but the service agreement which is yet to be authorised at the time of testing has a start date of 15/11/19.
- In the contract for Sample 11 the contract states the Social Services Contribution is £6,471.43 per night instead of £671.43.
- Contracts could not be located on the case management system for the placement for Sample 1 commencing on 29/11/19 or for the placement for Sample 6 commencing 11/1/19 or for Sample 13 commencing 10/10/19.
- The contract held on the case management system for Sample 15 had not been fully signed.

c) 18+ Placements

For Sample 13 at the time of selecting the sample, this child was age 17 according to the spreadsheet provided and was a looked after child. A new placement was set up on the case management system from 10/10/19 costing £745 per week. This service user now fell under the Leaving Care Team. Confirmation was sought that the required contract was in place for this placement. The service agreement was authorised by the Team Manager on 24/10/2019 after the placement had commenced. Enquiries with the Team Manager and the Group Manager confirmed by email that there were no contracts completed for the 18+ placements which also relates to Sample 13. The Group Manager who has not been in post that long advised that he will be meeting with Commissioning to address this. The Auditor has requested a copy of a report from the Group Manager to determine how many 18+ placements there are without a valid contract in place. The report has since been provided and the Group Manager believed that there were 99 such placements without the required contact in place.

d) Payments

For Sample 10, the service agreement commenced on 25/4/16 at a weekly cost of £3,600 and is ongoing. The notes on the service agreement states 'The cost will be £3,600 per week (2:1 care) at first and then reducing to £2,800 per week (1:1 care) thereafter – TBC'. It is unclear why the weekly fee has not been reduced.

REVIEW OF LOOKED AFTER CHILDREN

e) Waivers

The waivers could not be located in respect of Sample 1 with a placement commencing 29/11/19; Sample 4 with a placement commencing 19/11/19 and Sample 10 with a placement commencing 25/4/16.

f) Split Funded Placements

One of the split funded placements, Sample 6, raised queries during testing.

- For Sample 6 the total weekly cost is £4,900 and the notes on the case management system specify a split funded package with Health contributing £944 per week and Education contributing £748 per week. The contract for this placement could not be located on the case management system. The waiver specifies the same split, but the contributions from Health and Education are to be confirmed. SEN confirmed that they have received no costs or paid any invoices to date.

g) Funding Decision Sheets (FDS)

The FDS is completed to approve the funding decision.

In one case it was found that the FDS dated 14/10/19 made no mention of costs or provider (Sample 1).

The FDS dated 24/5/19 for Sample 18 was found not to have been authorised.

h) Placement decision and cost of placements

The Head of Service (Care and Care Leavers) confirmed that a number of decisions regarding placement choices/ approvals and costs are being made outside of panel and instead via email.

REVIEW OF LOOKED AFTER CHILDREN

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 LOOKED AFTER CHILDREN

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>Pathway Plans</u> It was found through sample testing one of the Pathway Plans for Sample 17 dated 2/12/19 had not been authorised at the time of testing. This was retrospectively authorised by the Head of Service on 18/3/20.</p> | It is unclear if the plan and the actions contained have been agreed or authorised. | <p>Pathway Plans should be formally authorised on the appropriate documents.</p> <p style="text-align: center;">Priority 3</p> | Pathway plans are signed off by TMs and actions are reviewed on ongoing basis. They are always completed on agreed documents. Our performance data shows when pathway plans have been completed and outstanding work can be tracked therefore. | <p>This oversight is in place and tracked through performance data.</p> <p>Head of Service, Children Looked After (CLA) & Care Leavers.</p> |
| 2 | <p><u>Contract Queries</u> The following queries arose with the following sample cases :- The contract in respect of Sample 4 has a start detailed of 19/11/19 but the service agreement which is yet to be authorised at the time of testing has a start date of 15/11/19.</p> | Legal documents are incorrect and/or not available, leading to disputes between parties involved. | <p>Contract documentation should be accurate, complete and readily available.</p> <p style="text-align: center;">Priority 2</p> | In respect of Sample 4 the young person was due to have pre-placement visits which were chargeable but were prior to dates of the accommodation, so the contract was drafted with earlier start date of the placement rather than the start dates of a service. | |

REVIEW OF LOOKED AFTER CHILDREN

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>The contract for Sample 11 the contract states the Social Services Contribution is £6,471.43 per night instead of £671.43. Contracts could not be located on the case management system for the placement for Sample 1 the contract commencing on 29/11/19; contract in relation to Sample 6 commencing 11/1/19 and the contract for Sample 13 commencing 10/10/19 could not be located. The contract held on the case management system for Sample 15 had not been fully signed.</p> | | | <p>In respect of Sample 11 this was a typing error and in other areas of the document the correct fees was recorded multiple times</p> <p>Documentation was in place but filed incorrectly. Staff have been reminded to ensure that paperwork is filed in the correct place.</p> <p>Contracts are issued but it is not always possible to obtain signatures from providers</p> | <p>Immediately.</p> <p>Head of Service, Placements & Brokerage.</p> |

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| 3. | <p>18+ Placements</p> <p>For Sample 13 at the time of selecting the sample, this child was age 17 according to the spreadsheet provided and was a looked after child. A new placement was set up on the case management system from 10/10/19 costing £745 per week. The service agreement was authorised by the Team Manager on 24/10/2019 after the placement had commenced. Enquiries with the Team Manager and the Group Manager who confirmed by email that there were no contracts completed for the 18+ placements which also relates to Sample 13. The Group Manager advised that he will be meeting with Commissioning to address</p> | <p>The placements may not be delivering the service that is due to be provided if there is no formal contract in place. This could lead to disputes between parties involved.</p> | <p>All residential placements must be supported by a valid contract. This case demonstrates that Financial Regulations and Contract Procedure Rules were not adhered to.</p> <p>A review of all placements will need to be undertaken once the report is available to ensure that the relevant contractual documentation is in place. These should be held securely.</p> <p>Service agreements should not be authorised which will result in a payment being made to the provider, until the signed contract accepting the terms and conditions have been accepted.</p> <p style="text-align: center;">Priority 1</p> | <p>This was a significant gap in LCT 18+ service. Previous GM and Placement manager had not put this in place. New placement officer and GM met with commissioning in March and are using templates for contracts in place for under 18s to be consistent across Bromley. Contracts are now in place for all new placements being made from beginning of April and placement officer is working through backlog of all existing placements to write to them and establish a contract. We are also using similar templates for floating support contracts to those in place with Contractor A.</p> <p>Reporting on CF has also been changed to bring placement referral and</p> | <p>Placement officer will need 3 months to complete back log of all existing placements. Deadline- end of June 2020.</p> <p>Group Manager, Leaving Care Team.</p> |

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| | <p>this. The Auditor requested a copy of the report from the Group Manager to determine how many 18+ placements there are without a valid contract in place. A copy of the report was provided and the Group Manager stated that he believes that there may 99 such placements without the required contract in place.</p> | | | <p>service agreement on to CF so we can run reports. Support hours and accommodation costs will also be split on CF so we can track changes more effectively</p> | |

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| 4. | <p><u>Payments</u> For Sample 10 the service agreement was commencing 25/4/16 at a weekly cost of £3,600 and is ongoing. The notes on the service agreement states 'The cost will be £3,600 per week (2:1 care) at first and then reducing to £2,800 per week (1:1 care) thereafter – TBC'. It is unclear why the weekly fee has not been reduced.</p> | The Authority may be funding part of the placement unnecessarily. | <p>Weekly costs should be regularly reviewed in order to confirm whether additional support is no longer required.</p> <p style="text-align: center;">Priority 2</p> | Changes in care packages are brought to placement panel and reviewed regularly. | <p>Ongoing.</p> <p>Head of Permanency Service & DCT.</p> |
| 5. | <p><u>Waivers</u> Waivers could not be located in respect of Sample 1 with a placement commencing 29/11/19; Sample 4 with a placement commencing 19/11/19 and Sample 10 with a placement commencing 25/4/16.</p> | Costly Residential placements may not have been procured correctly. | <p>Waivers should be completed, held securely and be readily available.</p> <p style="text-align: center;">Priority 2</p> | Waivers were all in place but had been misfiled. Staff have been reminded to ensure they store document correctly. | <p>Immediately.</p> <p>Head of Service, Placements & Brokerage.</p> |

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| 6. | <p><u>Split Funded Packages</u> One of the split funded placements Sample 6, raised queries during testing. For Sample 6 the total weekly cost is £4,900 and the notes on the case management system specify a split funded package with Health contributing £944 per week and Education contributing £748 per week. The contract for this placement could not be located on the case management system. The waiver specifies the same split, but the contributions from Health and Education are to be confirmed. The SEN Data & Finance Manager confirmed that no invoice has been received and that there would be an</p> | <p>Information relating to these packages is not correctly recorded.</p> <p>Budgets may not be correct and services may not be correctly charged.</p> <p>Delays in payments to providers and disputes between parties as to what has been agreed.</p> | <p>Split Funded packages must be clearly documented and be fully agreed. Monies should be recouped as agreed.</p> <p>Information in relation to split funded packages should be readily available and also in a timely manner.</p> <p>Departments should work together to share relevant information.</p> <p style="text-align: center;">Priority 2</p> | <p>The process for agreeing split funding requires further review.</p> <p>This will be undertaken by Heads of Service by 1 July 2020.</p> | <p>July 1st 2020</p> <p>Head of Service, Placements & Brokerage/ Head of SEN Service.</p> |

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| | education element to pay. It was confirmed by the Head of Service, SEN on 27/4/20 that they had received no costs or paid any invoices to date. | | | | |

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| 7. | <p><u>Funding Decisions Sheets (FDS)</u></p> <p>The FDS is completed to approve the funding decision.</p> <p>In one case it was found that the FDS made no mention of costs or provider (Sample 1).</p> <p>The FDS dated 24/5/19 for Sample 18 was found not to have been authorised.</p> | <p>Informed decisions cannot be made without key information being provided.</p> <p>FDS forms may not have been completed.</p> <p>Processes are not adhered to and placements are not suitably authorised.</p> | <p>The FDS forms should be fully completed and key information such as potential costs/ details of the proposed providers should be populated.</p> <p>Completed FDS forms should be readily available to support decisions taken and completed in a timely manner.</p> <p>All FDS forms should be suitably authorised.</p> <p style="text-align: center;">Priority 2</p> | <p>When a placement is identified for an individual the costs are submitted to the Head of Service for approval at the time. The placement /case will be referred/reviewed at the first possible panel after placement start for ratification and the FDS will be completed at the time.</p> <p>On some occasions, a decision will be made at panel for a placement to be sourced. The decision recorded therefore will be an “in principle” decision where no costs are available.</p> | <p>Head of Service, Placements & Brokerage/ Head of SEN Service.</p> |

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| 8. | <p><u>Placement decision and cost of placements</u></p> <p>The Head of Service (Care and Care Leavers) confirmed that a number of decisions regarding placement choices/ approvals and costs are made outside of panel and instead via email.</p> | <p>Information relating to individual placements are not readily accessible and available and therefore approval documentation is not available. Placements may not be authorised correctly.</p> | <p>Placements should be formally approved at panel but in instances where decisions are made outside of panel then the relevant email approval documentation will need to be uploaded to the case management system, to confirm approval of placements.</p> <p style="text-align: center;">Priority 2</p> | <p>Head of Service to upload email to the case management system when funding decision made in an emergency. All new placements are heard at earliest panel currently.</p> | <p>April 2020.</p> <p>Head of Service, Children Looked After (CLA) & Care Leavers.</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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