

BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH



THE LONDON BOROUGH
www.bromley.gov.uk

TELEPHONE: 020 8464 3333

CONTACT: Stephen Wood
stephen.wood@bromley.gov.uk

DIRECT LINE: 020 8313 4316

FAX: 020 8290 0608

DATE: 27 October 2020

AUDIT SUB-COMMITTEE INFORMATION BRIEFING

Meeting to be held on Tuesday 3 November 2020

QUESTIONS ON THE INFORMATION BRIEFING

The Briefing comprises:

- 1 REVIEW OF BUSINESS RATES (Pages 3 - 8)**
- 2 REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION (Pages 9 - 24)**
- 3 REVIEW OF DEBTORS (Pages 25 - 36)**
- 4 PENSION FUND GOVERNANCE 2020-21 (Pages 37 - 48)**
- 5 REVIEW OF STREET LIGHTING (Pages 49 - 60)**
- 6 REVIEW OF THE TROUBLED FAMILIES CLAIM: 1ST APRIL 2020 TO SEPTEMBER 2020 (Pages 61 - 64)**
- 7 FINAL LETTER OF CONFIRMATION--BLUE BADGE NEW CRITERIA IMPLEMENTATION (Pages 65 - 66)**
- 8 FINAL LETTER OF CONFIRMATION: INTEGRATION AND BETTER CARE FUND-- THE DISABLED FACILITIES CAPITAL GRANT (Pages 67 - 68)**

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

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

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

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

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THE LONDON BOROUGH
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**FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVES DEPARTMENT**

REVIEW OF BUSINESS RATES

Issued to: Jayne Carpenter, Revenues & Benefit Manager,
Claudine Douglas Brown, Assistant Director, Exchequer Services,
Peter Turner, Director of Finance, Chief Executives,

Prepared by: Principal Auditor,

Reviewed by: Head of Audit & Assurance,

Date of Issue: October 14th 2020

Report No.: CEX/10/2019/AU

REVIEW OF BUSINESS RATES

INTRODUCTION

1. This report sets out the results of our audit of Business Rates for 2019-20 and 2020-21. The audit was carried out as part of the work specified in the 2019-20 and 2020-21 Internal Audit Plans agreed by the Section 151 Officer and Audit Sub-Committee. This was delayed due to the COVID-19 pandemic and carried forward into the Internal Audit COVID-19 Recovery Plan 2020-21. 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. This audit included the following areas :-
 - The 12 month business rate holiday for all retail, hospitality and leisure businesses in England
 - The 12 month business rate holiday for childcare providers for 2020-21, where premises are wholly or mainly used for the provision of the Early Years Foundation Stage
 - Collections
 - Arrears
 - Refunds
 - Exemptions

This combined review also looked at the Business Improvement Districts (BIDs). A Business Improvement District (BID) is a business led and business funded scheme to improve a defined commercial area, such as a town centre or industrial estate through additional services or new initiatives. There are four BIDs within the borough; Bromley, Beckenham, Orpington and Penge and the BIDs are funded through a levy calculated on the rateable value of all businesses within the BID area.

Local businesses will vote on a BID proposal which clearly defines how the additional monies will be spent within the BID area, and over the BID term, which is usually 5 years.

3. This review also included the follow up of the previous two audit recommendations made within the Business Rates Audit 2018-19. These related to the refunds and documentation being held on Images at Work system.
4. We would like to thank all staff contacted during this review for their help and co-operation.

REVIEW OF BUSINESS RATES

AUDIT SCOPE

5. The original scope of the audit was outlined in the Terms of Reference issued on July 21st 2020. This replaced the Terms of Reference for the Audit that was underway and suspended when the lockdown due to Covid 19, was implemented.
6. The key risks reviewed within this audit are
 - Business Rates are not collected accurately or in a timely manner.
 - Refunds may not be due or supported by relevant documentation.
 - Monitoring of business rates may not be undertaken on a regular basis
 - Changes to processes, due to the pandemic, have not been consistently applied.
7. Random samples were selected across the individual areas of review from the reports provided from management. The individual details of each sample were then reviewed on Academy.

From the sample testing undertaken, no issues arose. Changes to processes, due to the pandemic, had been consistently applied. One issue arose regarding BIDs. It was found that for the BIDs for Bromley, Beckenham and Penge these are invoiced via one system and different system is used for Orpington. It was confirmed that each BID area chooses which collection method they would like to use (either 'Daily Charging' or 'Chargeable Day'). Orpington BID is the only one that uses the 'Daily Charging' method of collection and therefore different systems are used.

8. The BIDs are private organisations and therefore we as a Council do not have any influence over which method they choose. The contracts for the individual BIDs are for a fixed term. As a result, no recommendation has been made.
9. It was also found that for the two previous audit recommendations, one had been implemented and the second one was redundant.

REVIEW OF BUSINESS RATES

AUDIT OPINION

10. 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

11. There are no recommendations made within this report. Therefore, there is no Appendix A.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

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

CORPORATE SERVICES

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

Issued to: Mark Bowen, Director of Corporate Services
Laurence Downes, Assistant Director, Governance & Contracts
Shupriya Iqbal, Head of Legal Services
Maddy Hayes, Head of Procurement
Lynda Matthews, Lawyer

Prepared by: Principal Auditor
Trainee Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 16 October 2020

Report No.: CEX/18/2019/AU

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

INTRODUCTION

1. This report sets out the results of our audit of contract governance and documentation. 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 and the Internal Audit Recovery Plan for 2020/21. 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. We carried out an audit of contract documentation in 2017 and it was given a 'Limited' assurance rating. Following the introduction of the Contracts Database and in view of the risks associated with not being able to locate contracts and their key supporting documentation, we included the subject as an area for review in the 2019/20 audit plan. Our review sought to give assurance that contracts have been signed and sealed by all parties, are retained securely and can be located readily. We also sought to confirm that key documents associated with the contract such as performance bonds and indemnities are retained, available and current.
3. 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. The key risks which we identified were :
 - Contracts may not be retained, signed and sealed by all parties
 - The location of contracts may not be known
 - Key documentation such as performance bonds and public liability insurance may not be retained, available and current

We selected a sample of 17 contracts from the Contracts Database and from a range of Directorates. Testing was carried out to confirm that all contracts had been signed and sealed and retained. We examined them to confirm that they were supported by key documentation such as Public Liability Insurance, any contract variations and performance bonds/parent company guarantees.

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

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 | 4 | 1 |

SUMMARY OF FINDINGS

6. We were able to evidence signed contracts/agreements for all 17 of our sample. Where appropriate they had been signed by the Mayor and sealed. For those contracts in our sample where we expected to see a Performance Bond or Parent Company Guarantee, we were able to see one, apart from one for Company 'A'. The Performance Bond had not been located at the time of issuing this report but continues to be sought by the Head of Service.
7. The need for the contractor to have public liability insurance was documented in all the contracts/agreements in our sample. We saw evidence of up-to-date liability insurance for one of the contracts in our sample but not for the others. From our examination of the supporting documents uploaded to the Contracts Database we were unable to confirm whether or not

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

Contract Owners have ensured that contractors have the necessary public liability and other types of insurance required. This should not be taken to read that such insurances are not in place.

8. Legal Services checked the last known location of the contracts prior to the start of our audit and obtained them for us. We found however that there are weaknesses in the arrangement for storing and locating deeds and contracts. This was raised when we carried out this audit previously in October 2017 and we have made a recommendation again to address this finding.
9. The clauses in the contracts which formed our testing sample varied in terms of content and wording, because they were derived from different sources e.g. an industry standard, Crown Commercial Service template, a call off contract framework or London Borough of Bromley standard terms and conditions. We could not see however that access to the current versions of the relevant Council policies are made available to contractors.
10. Our examination of the Contracts Database showed monitoring information e.g. minutes of contract monitoring meetings uploaded to the database for one out of 17 contracts in our sample although we acknowledge that not all the contracts/agreements e.g. IT application contracts warrant the level of monitoring expected of other contracts. It is not a mandatory requirement at present for Contract Owners to upload key supporting documentation and contract monitoring information to the database and we have recommended that it is reviewed. Where this information was not uploaded to the Contracts database, we did not confirm with Contract Owners where they store contract monitoring information or if it is available and accessible to those who need it.
11. The Assistant Director, Governance & Contracts has carried out previously sample checks of documents uploaded to the Contracts Database. We acknowledge that it is a complex and time-consuming task requiring detailed knowledge of contracts and contract procedure rules. The results of those reviews were reported to Chief Officers and the Contracts & Monitoring Sub-Committee of ER&C PDS, which is no longer in place. A guidance note was also issued to all contract owners following the last review.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

1. Insurance checks and the levels and types of insurance

Finding

In our discussion with the Council’s Insurance Manager, we were advised that the types and levels of Insurance can vary depending on the contract and we noted that there are varying levels of public liability insurance for the contracts in our sample.

We saw a copy of the current public liability insurance and other types of insurance for one of the contracts in our sample but not for any of the other contracts. The contract clause wording in each case in our sample stated that the contractor is required to have these insurances and specifies the limit of indemnity and that the Council may wish to see the insurance, but we did not see evidence, from our examination of documentation uploaded to the Contracts Database, that this requirement has been checked.

Risk

The Council may be unaware whether or not the contractor has valid insurance policies in place in the event of a claim.

Recommendation

Management should review the existing guidance on insurance checks which Contract Owners are required to carry out to confirm that a contractor has the required public liability and other types of insurance cover.

Particular attention should be paid to the following:

- (i) whether or not the insurance policy is valid for the life of the contract or needs to be renewed annually. If the policy is an annual one then the frequency of subsequent checks should be specified.
- (ii) whether or not the policy insures the contractor in the event of any one occurrence or aggregate throughout the life of the contract,
- (iii) whether or not the contractor has a valid Employers’ Liability insurance for a minimum of £5,000,000 (five million pounds) in respect of any one incident, and
- (iv) whether or not the contractor has professional indemnity insurance, where applicable, valid for up to 6 years after the end of the contract.

Rating

Priority 2

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

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| <p><i>Audit note: We are aware that the Contract Procedure Rules are currently being updated and therefore the Procurement Team should liaise with the Insurance Manager to obtain guidance on this area.</i></p> | |
| <p><u>Management Response and Accountable Manager</u></p> <p><u>Accountable Manager:</u> All Contract Owners and Contract Approvers with oversight from Assistant Director Governance & Contracts</p> <p>Checking for insurance documents has been advisable but not a mandatory requirement for Contract Owners. There are several provider documents and policies that are required through a contract but with discretion with the Contract Owner as to what is required through monitoring.</p> <p>It is the responsibility of Contract Owners to ensure suitable arrangements are in place for the checking of relevant insurance arrangements with Contractors. For any tender that requires a Selection Process, providers are required to self-certify that they possess the relevant Insurances specified in the Selection Questionnaire. Self-certification is the standard requirement for a range of provider checks. In addition, the Contract held with the provider will specify the Insurances required.</p> <p>Guidance was given to Contract Owners in 2018 that Supporting Documents (including Insurance documents) should be held on the Contracts Database for contracts awarded from April 2018. This has yet to be fully embedded.</p> <p>The Contract Procedure Rules are in the process of being updated with a new version expected to be implemented from April 2021. Subject to prior consultation, consideration can be given to inclusion of a mandatory process for Insurance documentation checks, including mandatory recording on the Contracts Database.</p> <p>This requirement could then be included in the periodic sample checks of Contract Database documentation, the next one taking place in the Spring of 2021.</p> | <p><u>Agreed timescale</u></p> <p>November 2020 for Practice Note in Insurance requirements to be sent to all relevant Officers</p> <p>April 2021 to consider additional requirements for possible inclusion in updated Contract Procedure Rules</p> <p>By June 2021 (or sooner) for extensive sample check of Contracts Database</p> |

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

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| <p>It is to be expected that there are different types of insurance required as these are set specific to the arrangements for each contract. This is not an issue.</p> <p>Definitive guidance on the type and level required is next to impossible because of the variables that may apply. However, guidance will be issued to all Contract Owners, the Procurement Team, Legal Team and Insurance colleagues that the level and type of insurance must be determined and documented prior to going out to tender. This will be mirrored in the revised version of the Contract Procedure Rules.</p> | |
|--|--|

2. Recording of contracts, key supporting documents and monitoring information on the Contracts Database

Finding

We were unable to see that all contracts and key supporting documents had been uploaded to the Contracts Database. From our sample of 17 contracts, five of them had not been uploaded as electronic copies to the Contracts Database.

There was one contract in our sample where we did not see a Performance Bond/Parent Company Guarantee. This was for Company 'A'. The Performance Bond was not seen on the Contracts Database and could not be located at the time of issuing this report but continues to be sought by the Head of Service.

The Assistant Director, Governance & Contracts has carried out previously sample checks of documents uploaded to the Contracts Database. The last one was carried out in March 2019 and resulted in a report that RAG rated each contract inspected for the completeness or otherwise of documentation stored on the Contracts Database.

The results of those reviews were reported to Chief Officers and the Contracts & Monitoring Sub-Committee of ER&C PDS, which is no longer in place. Consequently, a Practice Note was issued to all contract owners. Following the second exercise, COE recommended that priority should be given in any future sample checks to contracts with a start date of 2017 or later. It was accepted that Contract Owners may now have difficulty in locating documentation for older contracts (where they may have already tried to do so) especially when they may have subsequently inherited contracts for members of staff no longer at the Council. We acknowledge that it is a complex and time-consuming task

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

requiring detailed knowledge of contracts and contract procedure rules but it is a useful exercise, providing assurance to management on oversight and compliance of contract documentation.

The Contracts Database Practice Note 2 states:

‘The Contracts Database gives you the facility to upload all documents relevant to each contract, including Monitoring Reports, Minutes of meetings and so on.

However, as a minimum you should upload the following:

ii. Supporting contract documents

Supporting contract documents should ideally be added for all contracts. However, they must be added for all contracts awarded from 1 April 2018.

If you do not have a full suite of contract documents, you may not be able to manage the contract effectively.’

From our testing we could only evidence minutes of contract monitoring meetings uploaded to the Contract Database for one of the contracts in our sample.

Risk

Key contract documentation and matters relating to the contract are not known, leading to a risk of ineffective contract management.

Recommendation

Management should:

- (i) Review the existing guidance and consider making it mandatory for contract owners to upload all signed contracts, key supporting documents and monitoring information to the Contracts Database and

Rating

Priority 2

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

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|---|---|
| <p>(ii) arrange for a sample check to be carried out within the next twelve months, focusing on contracts with a start date of 2017 and ensure that any issues identified are escalated to COE, Directors and contract owners for them to address.</p> | |
| <p><u>Management Response and Accountable Manager</u></p> <p><u>Accountable Manager:</u> All Contract Owners and Contract Approvers with oversight from Assistant Director Governance & Contracts</p> <p>As stated in the finding, the current guidance is that the contract and key contract supporting documents should be uploaded to the Contracts Database, required for all contracts with a start date from April 2018. This will be subject to regular sample checking with appropriate follow up action.</p> <p>However, while it notes that the facility for contract management/monitoring documents can be uploaded, it does not require Contract Owners to do so. Many Contract Owners will store such records on their team sites and team drives. The absence of such documentation on the Contracts Database is not a basis to infer that such documents do not exist or cannot be evidenced. Due to the limited document management and document search functions of the Database, it may not be desirable for contract management and general documentation to be held there.</p> <p>The Contract Procedure Rules are in the process of being updated with a new version expected to be implemented from April 2021. Subject to prior consultation, consideration can be given to inclusion of a mandatory process for key contract management documents and mandatory recording on the Contracts Database. This may include minutes of meetings, formal correspondence and similar. These will need to be defined as far as possible and limited – due to the wide range of supporting documentation which may not be practical to store on the Database (particularly with limitations on search functions and document management functions).</p> <p>This requirement could then be included in the periodic sample checks of Contract Database documentation, the next one taking place in the Spring of 2021.</p> | <p><u>Agreed timescale</u></p> <p>April 2021 to consider additional requirements for possible inclusion in updated Contract Procedure Rules</p> <p>By June 2021 (or sooner) for extensive sample check of Contracts Database</p> |

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

3. Contract clauses

Finding

During our testing we noted that there were differences in clauses, both in content and wording, for the contracts in our sample. We appreciate that the contracts in our sample had different start dates and purposes but the following policies/procedures were not referred to in all the service-type contracts in our sample:

Business continuity

Bribery and corruption

Gratuities

Dispute resolution process

Right to audit

Whistleblowing

Complaints procedure

Anti-Slavery (for contracts awarded after 2015)

Risk

Contractors may not be aware of the Council's relevant policies which they are expected to comply with.

Recommendation

The Procurement Team, in conjunction with Legal Services, should :

(i) review the content and wording of the clauses in the Council's contract template and

Rating

Priority 2

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

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| <p>(ii) ensure that where these are included in contracts, the contractor has access to the current versions of the Council’s relevant policies, either via an extranet or other communication arrangement.</p> | |
| <p><u>Management Response and Accountable Manager</u></p> <p><u>Accountable Manager:</u> Assistant Director Governance & Contracts and Head of Legal</p> <p>There are many different forms of contract, often dependent upon the size, type, procurement (e.g. framework where the framework documentation is used), provider contracts where approved, construction contracts. Contract documentation is reviewed for each tender – which is why there are other differences between similar contracts let at different times.</p> <p>Legal and the Procurement team review every contract prior to going out to tender and prior to issue. Contract documents are constantly updated. Therefore no further specific action is required.</p> <p>As part of the review of the intranet/intranet website, consideration of a standard page containing key Council policies and requirements will be given.</p> | <p><u>Agreed timescale</u></p> <p>In place and ongoing.</p> <p>Review of website by April 2021.</p> |

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

4. Location of deeds/contracts

Finding

Prior to the start of the audit, Legal Services told us that the deeds register (spreadsheet) maintained by them was not able to readily identify the whereabouts of all deeds and contracts, partly because the details recorded do not signify the service which a contract relates to and the deeds/contract information recorded e.g. supplier name or property address details, depends on what is included by the officer making the original entry.

Access to the spreadsheet to add, edit or delete information is not restricted to a limited number of officers within Legal Services.

Original deeds/contract files are not loaned to officers outside of Legal Services. The movement of deeds/contract files within the department is not monitored however.

This was identified when the governance of contracts was audited previously in 2017 and a recommendation to address this was made at that time. It was not implemented at that time however and is therefore addressed again in the recommendation below.

There is no link between the contract reference used by Legal Services and the contract id used in the Contracts database, so they exist as separate references.

Risk

The Council is not aware what deeds/contracts are held in the strong room.

Deeds/contracts may be lost or not readily available at any given time, resulting in the Council not being able to confirm what its contractual responsibilities are and/or defend itself in any legal dispute.

Recommendation

Legal Services should :-

- (i) carry out a reconciliation of the contents of the strongroom.

Rating

Priority 2

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

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| <p>(ii) review their current processes for recording and monitoring deeds/contracts information so that they can verify the location of deeds/contracts at any time, and ensure that the information held is accurate, timely and complete and</p> <p>(iii) explore with the Procurement Team if and how the contract reference used by Legal Services in their records can be included as a reference in a field in the Contracts Database.</p> | |
| <p><u>Management Response and Accountable Manager</u></p> <p>We will:</p> <p>(i) put arrangements in place to carry out a reconciliation of the contents of the strongroom. Due to the current situation re COVID-19 it is not possible to put a timescale on this action but it will form part of our future plans for Legal Services.</p> <p>(ii) review our current processes for recording and monitoring deeds/contracts information. We have the Norwel electronic case management system. All contract documents or property documents that are sealed or signed by legal are scanned and a copy saved on Norwel which gives added assurance.</p> <p>(iii) liaise with the Procurement Team to confirm that the Norwel file number used by Legal Services as the identifiable contract reference can be included in an existing field on the Contracts Database. We will then inform the relevant Contract Manager of the Norwel file number to be used in future.</p> <p><u>Accountable Manager:</u></p> <p>Head of Legal Services</p> | <p><u>Agreed timescale</u></p> <p>To be decided</p> <p>31 December 2020</p> <p>31 December 2020</p> |

REVIEW OF CONTRACT GOVERNANCE AND DOCUMENTATION

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| 5. Electronic signatures | |
|--|--|
| <p><u>Finding</u></p> <p>We discussed with Legal Services and the Head of Procurement about the signing of contracts with other parties and how these might be improved in future.</p> <p>One of the areas discussed was the introduction of a workflow system for the signing of contracts, which could enhance the document process and enable relevant officers in the Council to see or be notified when a contract has been viewed or signed by the other party.</p> <p><u>Risk</u></p> <p>The opportunity to explore and evaluate existing contract processes is not taken, leading to a risk that possible improvements to the contract signing process are not identified.</p> | |
| <p><u>Recommendation</u></p> <p>Legal Services and the Procurement team should explore and assess the possible advantages of introducing a workflow system for the signing of contracts.</p> | <p><u>Rating</u></p> <div style="border: 1px solid black; background-color: #90EE90; padding: 2px; display: inline-block;">Priority 3</div> |
| <p><u>Management Response and Accountable Manager</u></p> <p>We will explore electronic signature software. This will require expenditure on a software package with an annual licence fee. Funding will therefore need to be allocated for this. Also, documents that are required to be sealed will still need wet signatures on hard copies.</p> <p><u>Accountable manager</u></p> <p>Head of Legal Services</p> | <p><u>Agreed timescale</u></p> <p>31 December 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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**FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT**

REVIEW OF DEBTORS

Issued to: Claudine Douglas Brown, Assistant Director of Exchequer Services
Peter Turner, Director of Finance

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

Reviewed by: Head of Audit and Assurance

Date of Issue: 1 October 2020

Report No.: CEX/07/2019/AU

REVIEW OF DEBTORS

INTRODUCTION

1. This report sets out the results of our audit of debtors. The audit was carried out as part of the work specified in the 2020-21 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 debtor activity which impact on the reliability of records, integrity of information and compliance with relevant regulations.
3. Debtor processes are contracted out by the Council to a third party, the Council's exchequer contractor. A Client Team for the Council oversee and monitor this arrangement. The audit has examined the operational controls in place to manage the day-to-day processing of debtors (some of which are enacted by the Council's exchequer contractor and some by the Council directly).
4. The Oracle system is used to raise and document all debtor invoices. Debtor details are then automatically integrated into the Aspien (ASH) system overnight. Within ASH are individual workflows that are triggered as soon as it receives information. These automatic workflows act as a checklist for staff to help ensure all steps are completed.
5. We would like to thank everyone 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 in February 2020.
7. 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.
8. The following were considered to be the key risks inherent to the debtors' process:
 - Invoices may not be raised in a timely manner, leading to delays in collecting monies due.
 - Invoice amounts do not match sales order amounts, leading to financial inaccuracies.

REVIEW OF DEBTORS

- Invoices raised to the wrong customer, resulting in confusion and/or reputational damage.
 - Income is misappropriated.
 - Receipt of money remains unallocated (so true position is not reflected in all debtor accounts).
 - Debt is not adequately pursued leading to loss of income.
 - Policies are not followed leading to rising aged debtors.
 - Debtors are not aware that their debt is overdue, leading to untimely payment and/or loss of income.
 - Items remain unreconciled. Potential income loss due to reconciliation not being completed in a timely manner.
 - Management is unaware of write-offs and is unaware of debtor position (hindering decision making). There are inappropriate policies and procedures in place to guide staff and support meeting legislative requirements.
9. The fieldwork for this audit was completed whilst government measures were in place in response to the coronavirus pandemic (Covid-19). The fieldwork for this audit has been completed and the agreed scope fully covered. Whilst we had to complete this audit remotely, we have been able to obtain relevant documentation and/or review evidence via screen sharing functionality to enable us to complete the work. Fieldwork was consciously deferred from the 2019-20 Internal Audit Plan on account of the Covid-19 impact.

REVIEW OF DEBTORS

AUDIT OPINION

10. 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 | 3 | 0 |

SUMMARY OF FINDINGS

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

- A sample of 15 invoices was tested from January to June 2020 (from a total population of 2,163 debtor invoices). We confirmed that all of the invoices sampled had been raised accurately per the supporting invoice request. The income code on the invoice request matched the income code on Oracle in all 15 cases. It was also demonstrated that, in the event an incorrect income code is entered, the system generates an automatic error message to prevent inaccuracies.
- On a monthly basis, a 5% sample of invoices and credit notes raised are checked to source documents for accuracy and timeliness (i.e. date of request vs date of invoice) by the Operations Manager at the Council’s exchequer contractor. Compliance regarding accuracy and timeliness was consistently above the target of 95% each month (identified through examination of the Income & Recovery Monthly Monitor reports received during the period January to June 2020).

REVIEW OF DEBTORS

- A sample of 15 debts from the June 2020 outstanding debts report were randomly selected for testing. For each of these cases, a segregation of duty in raising debts and debt recovery action was in place, with appropriate debt recovery actions subsequently taken in line with the Debt Recovery Policy and Procedure. Aged debtor reports from January to June 2020 were confirmed to also have been generated by the Operations Manager at the Council's exchequer contractor on a monthly basis and sent via e-mail to the Assistant Director, Exchequer Services at the Council for monitoring purposes.
- Authorisation to write-off debts must be provided by the Director of Finance / Assistant Director, Exchequer Services for any amount in the following cases (bankruptcy, liquidation, debtor untraceable, court decisions, debt statute barred or debtor has no funds in their estate).
- It was confirmed that refund reconciliations were produced by the Council's exchequer contractor monthly and reviewed by a second member of staff (the responsibility for conducting reconciliations also rotates across the team to aid transparency). Evidence was obtained for the three months (April, May and June 2020). Debtor control account reconciliations were also undertaken on a monthly basis, completed by the Council's Principal Accountancy Assistant and reviewed by the Head of Financial Systems by e-mail. It was demonstrated that any variances had been highlighted, explained and followed-up.

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

- Following a request, the auditor was not provided with the details of officers with access to view and amend the Oracle and ASH systems. It was therefore not possible to evidence and confirm appropriateness of access.
- A sample of 15 write-off batches was sample tested to check for appropriateness. There was one instance (value of £978.55, customer number 960850354) where the supporting write-off pack could not be located. Therefore, justification for the processed write-off could not be verified.
- There is a central spreadsheet managed by the Council's exchequer contractor that monitors write-offs and their status. Examination of the spreadsheet confirmed there to be 40 cases where the write-off is pending to be signed off by the Director of Finance / Assistant Director, Exchequer Services. Out of the 40 cases, 20 cases were sent over to the Council in 2019.

REVIEW OF DEBTORS

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

13. 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 DEBTORS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| 1. Access to Debtor Systems | |
|--|---|
| <p><u>Finding</u></p> <p>Oracle and ASH are used as the core debt and revenue systems, whereby invoices are raised and documented. Evidence was requested, but not provided, to confirm details of authorised individuals who have access to view and amend on these systems. The Auditor was therefore unable to test and verify evidence the continued appropriateness of access.</p> <p><u>Risk</u></p> <p>Where details of individuals with access to debt and revenue systems cannot be confirmed, there is an increased risk that inappropriate access may be granted without identification. This could potentially affect the accuracy and integrity of the data on the systems.</p> | |
| <p><u>Recommendation</u></p> <p>Management should ensure they can access / produce a report from systems of users able to access.</p> <p>Authorised users recorded as having editing rights on Oracle and ASH users should then be reviewed annually.</p> <p>This should be reviewed by management for continued appropriateness and signed off.</p> | <p><u>Rating</u></p> <div style="border: 1px solid black; background-color: yellow; padding: 2px; display: inline-block;">Priority 2</div> |
| <p><u>Management response</u></p> <p>A list of ASH and Oracle users has been provided to Internal Audit.</p> <p>Monthly files are received from LBB HR of leavers and their access is removed.</p> <p>An annual review is carried out and access is removed as required. This will be signed off by management.</p> | <p><u>Agreed timescale</u></p> <p>Completed</p> |

REVIEW OF DEBTORS

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

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| <p><u>Accountable manager</u></p> <p>Assistant Director of Exchequer Services</p> | |
|--|--|

2. Justification for write offs

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| <p><u>Finding</u></p> <p>The Council's exchequer contractor produces write-off packs for invoices which are deemed as irrecoverable. These are provided to the Council to be authorised by the Director of Finance, before being written-off.</p> <p>A sample of 15 write-offs were selected. In one instance tested, customer number 960850354, the write-off pack could not be located as supporting evidence.</p> <p><u>Risk</u></p> <p>Where write-offs do not have the supporting evidence retained on file, there is an increased risk that the write off may have been processed inappropriately and without justification. This could potentially impact on the effectiveness of management decision making (if the true debtor position is not clear).</p> |
|---|

| | |
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| <p><u>Recommendation</u></p> <p>Management should undertake a monthly spot check of 5% of write offs processed to ensure the relevant write-off pack is retained on file. Alternatively, a compensating control could be to undertake an automated data integrity check to highlight where evidence might be missing / fields incomplete, so that appropriate actions can be taken.</p> <p>The results of this check should be reported in the monthly monitoring reports visible to management.</p> | <p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p> |
|---|--|

REVIEW OF DEBTORS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

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| <p><u>Management response</u></p> <p>The supporting evidence for the write off on 960850354 was available in the ASH system. This has now been provided to Internal Audit.</p> <p>A 5% check will be carried out and reported in the monthly monitoring report provided by the Council's exchequer contractor.</p> <p><u>Accountable manager</u></p> <p>Assistant Director of Exchequer Services</p> | <p><u>Agreed timescale</u></p> <p>31 October 2020</p> |
|--|--|

3. Timely Processing of Write-Offs

| |
|---|
| <p><u>Finding</u></p> <p>There is a central Excel spreadsheet managed by the Council's exchequer contractor that keeps track of write-off packs and their status. When a write off is sent to the Council, this spreadsheet is updated. Once the pack comes back to the Council's exchequer contractor, the spreadsheet is updated. The write-off pack is then scanned onto the system as evidence.</p> <p>Examination of the spreadsheet showed there to be 40 cases where the write-off remained pending for sign-off by the Council's Director of Finance / Head of Exchequer Services. Out of these 40 cases, 20 cases were from 2019.</p> <p><u>Risk</u></p> <p>Where write-offs are not processed and debts written off via Oracle in a timely manner, there is an increased risk that the Council's true debtor position is not reflected, potentially hindering management decision making.</p> <p>Reputational damage may arise if it is deemed that debtors are not being treated fairly i.e. if some are written off whilst others continue to be pursued.</p> |
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REVIEW OF DEBTORS

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

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| <p><u>Recommendation</u></p> <p>The Council and management from the Council's exchequer contractor agree a target time frame in which write-offs should be approved and processed from the date of request, to ensure any such debt is written off in a timely manner. The Council and the Council's exchequer contractor should then work to this timeframe and enact an escalation process through the monthly contract monitoring controls in the event of non-compliance.</p> | <p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p> |
| <p><u>Management response</u></p> <p>The spreadsheet is reviewed monthly and outstanding cases are escalated or duplicate paperwork requested for resubmission. The outstanding cases will be completed by the end of October.</p> <p>Write offs are now authorised electronically which ensures there is an audit trail for the write off pack.</p> <p><u>Accountable manager</u></p> <p>Assistant Director of Exchequer Services</p> | <p><u>Agreed timescale</u></p> <p>31 October 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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**FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT**

PENSION FUND GOVERNANCE 2020-21

Issued to: Thi Bang Hoang, Pensions Manager
Katherine Ball, Principal Accountant
David Dobbs, Head of Corporate Finance and Accounting
Peter Turner, Director of Finance

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

Reviewed by: Head of Audit and Assurance

Date of Issue: 18 September 2020

Report No.: CEX/05/2019/AU

INTRODUCTION

1. This report sets out the results of our internal audit of Pension Fund Governance. The audit was carried out as part of the work specified in the 2020-2021 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 governance arrangements in place for oversight and control over pension fund 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. The Principal Accountant is responsible for the investment related aspects involving liaising with the Fund’s advisors, Company ‘A’, preparing quarterly updates for the Pensions Investment Sub-Committee and reviewing the monthly asset reconciliations. The Fund’s custodian is Company ‘B’ and actuarial services are provided by Company ‘C’.
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 Pension Fund Governance process:
 - If the role of the core governance groups (Local Pension Board; General Purposes and Licensing Committee; and Pensions Investment Sub-Committee) are not clear in the governance structure, then there could be conflicts and/or duplication of responsibilities, which could impact negatively on the efficient discharge of its responsibilities. If members of these groups lack appropriate training, this could make their activities / roles ineffective.

- Without developing an appropriate investment strategy to support the pensions business planning, in line with the legislative requirements as an Administering Authority, the Council could be in danger of not fulfilling its duty of care to fund stakeholders.
 - If fund manager performance is not reviewed and subject to scrutiny then this could ultimately lead to financial and/or reputational implications for the Council.
 - Payments of fees and charges to the fund managers may not be checked and monitored to the agreed rates.
8. The fieldwork for this audit was completed whilst government measures were in place in response to the coronavirus pandemic (Covid-19). The fieldwork for this audit has been completed and the agreed scope fully covered. Whilst we had to complete this audit remotely, we have been able to obtain all relevant documentation and/or review evidence via screen sharing functionality to enable us to complete the work. Fieldwork was consciously deferred from the 2019-20 Internal Audit Plan on account of Covid-19 impact.

AUDIT OPINION

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

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

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

SUMMARY OF FINDINGS

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

- The Council’s Constitution establishes and includes both the General Purposes & Licensing Committee and the Pensions Investment Sub-Committee amongst others not in the scope of this audit.
- A Council wide Governance Policy and Compliance Statement for 2018-19 (stating specific pension disclosures) was included in the Annual Report and Accounts which was presented to the Pensions Investment Sub-Committee on 24th July 2019. The Governance Policy and Compliance Statement for 2019-20 was on the agenda for the meeting held on 28th July 2020, which was to be reviewed along with the Annual Report and Accounts (minutes not yet available at the time of reporting).

- The Local Pension Board received an annual performance report from the Pensions Manager on 22nd January 2020, which verified that the Pension Fund was complying with the Pension Regulator's Code of Practice on Governance and Administration of public services pension scheme.
- The 'CIPFA Prudential Code for Capital Finance in Local Authorities' and 'Statutory Guidance on Local Government Investments' are available to the Pensions Team via a shared drive.
- Terms of Reference for the Pensions Investment Sub-Committee confirm its overall responsibility for managing investments of the Pension Fund, including the appointment of investment managers. Review of the minutes for the Pensions Investment Sub-Committee meetings over the past 12 months found there to be an advisor routinely present from Company 'A', the Council's appointed Pension Fund Advisors.
- Company 'A' were appointed as the Council's Pension Fund Investment Advisors in 2012 and their appointment has been extended since then, most recently for one year, to 31st October 2021 (due to Covid-19). Formalisation of the extended contract arrangement was underway at the time of audit fieldwork.
- Company 'B' were appointed as the custodian on 26th November 1999 and the contract remains live until 30th June 2022. Review of the agreement confirmed Company 'B' is to be the custodian of cash and securities deposited for safe custody with Company 'B' or any sub-custodian appointed by Company 'B'. LB Bromley Superannuation Fund may deposit for safe custody cash and cash equivalents, and securities including stocks, shares, bonds, notes, coupons, certificates of deposit or commercial paper, whether in certified, uncertified, registered or bearer form.
- The Council's appointed actuary is Company 'C'. They were originally appointed on 1st January 2013 and the contract was renewed in December 2018, for a six year period. Review of the contract confirmed the Authority sought proposals for the provision of Actuarial Services by means of a public tender exercise. The Supplier was selected through a competitive process to provide the services and has agreed to provide the services outlined in the agreement. The triennial valuation is completed by Company 'C' as part of this agreement, the most recent one being as of 31st March 2019. The valuation report was presented to the Pensions Investment Sub-Committee on 30th January 2020.
- Master custodian, Company 'B', provides monthly reports on fund manager performance to the Council's Treasury and Pensions Team that includes details on all four fund managers – Fund Manager 'A', Fund Manager 'B', Fund Manager 'C' and Fund Manager 'D'. March, April, May and June 2020 reports were provided as supporting evidence of ongoing and regular receipt.

- For the last four quarters, Quarter 2 2019-20 to Quarter 1 2020-21, we confirmed the quarterly update on Pension Fund was prepared by the Principal Accountant and presented to the Pensions Investment Sub-Committee.
- Market overview reports are provided on a quarterly basis by Company 'A', the Council's investment advisors. These are presented to the Pensions Investment Sub-Committee along with the quarterly updates prepared by the Principal Accountant and go as an appendix to the report.

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

- Minutes of the Pensions Investment Sub-Committee on 13th February 2020 were not available at the time of the audit. Confirmation of the minutes of the meeting was on the agenda for the Committee meeting held on 28th July 2020.
- Local Government Pension Scheme (LPGS) administering authorities are required to prepare, publish and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. However, review of the Investment Strategy Statement confirmed it does not state compliance with the Myners Principles (these being principles for investment decision making and disclosure in the local government pension scheme in the United Kingdom).
- Review of the Fund Manager Asset Reconciliation found the latest version to be dated only to the period ending on 31st March 2020. Further, we found the reconciliations for the year 2019-20 have neither been signed off nor dated by the officers preparing and reviewing the document.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

PENSION FUND GOVERNANCE 2020-21
DETAILED FINDINGS AND ACTION PLAN

REDACTED

APPENDIX A

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|---|---|
| 1. <u>Minutes of the Pensions Investment Sub-Committee</u> | |
| <p><u>Finding</u></p> <p>Review of the agenda for the Pensions Investment Sub-Committee meeting held on 28th July 2020 confirmed item 4 on the agenda to be confirmation of minutes of the meeting held on 13th February 2020.</p> <p>However, at the time of the audit, the minutes of the meeting held on 13th February 2020 had not been produced.</p> <p><u>Risk</u></p> <p>When minutes of the Committee meetings are either not taken or not available in a timely manner, there is an increased risk that decisions taken by Members with regard to pensions may be late, and hence the management of the fund could be adversely affected.</p> | |
| <p><u>Recommendation</u></p> <p>Pensions Team Management should ensure minutes of the relevant Committee meetings are taken and made available on the website promptly after they have been finalised.</p> | <p><u>Rating</u></p> <p>Priority 3</p> |
| <p><u>Management response</u></p> <p>The Democratic Services Manager confirmed that the recommendation fairly reflects the status at the time of audit, but noted that that the finding is certainly not the Council’s normal or recommended practice.</p> <p>Responsibility lies with the Democratic Services Manager rather than the Pensions Team Management.</p> | <p><u>Agreed timescale</u></p> <p>Immediate.</p> |

PENSION FUND GOVERNANCE 2020-21

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

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| <p>The meeting in question was an addition to the Democratic Service Manager’s workload, as a colleague could not attend the meeting. With the ongoing high workload exacerbated by managing virtual meetings through the Covid-19 lockdown, there had not been capacity to fully complete these minutes.</p> <p><u>Accountable manager</u></p> <p>Democratic Services Manager</p> | |
|---|--|

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| <p>2. <u>Compliance with Myners Principles</u></p> |
| <p><u>Finding</u></p> <p>Principles for investment decision making and disclosure in the local government pension scheme in the United Kingdom (CIPFA, 2012) outlines the following -</p> <p>‘Local Government Pension Scheme (LPGS) administering authorities are required to prepare, publish and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation.’</p> <p>https://www.icaew.com/technical/corporate-governance/codes-and-reports/myners-report</p> <p>Review of the Investment Strategy Statement confirmed it does not explicitly state compliance with the Myners Principles.</p> <p>In discussions with the Principal Accountant, we further confirmed our finding as the officer was not aware of this requirement.</p> <p><u>Risk</u></p> <p>In the event that officers and Members are unaware of legislative developments, changes may not be made and consequently, pension fund investments may no longer be legally compliant.</p> |

PENSION FUND GOVERNANCE 2020-21
DETAILED FINDINGS AND ACTION PLAN

REDACTED

APPENDIX A

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| <p><u>Recommendation</u></p> <p>Pensions Team Management should ensure compliance with the Myners Principles is assessed in the Investment Strategy Statement.</p> | <p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p> |
| <p><u>Management response</u></p> <p>Agreed – we will make the necessary amendments when the Investment Strategy Statement is next updated.</p> <p><u>Accountable manager</u></p> <p>Principal Accountant (Technical & Control)</p> | <p><u>Agreed timescale</u></p> <p>31 March 2021</p> |

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|--|
| <p><u>3. Fund Manager Asset Reconciliation – Preparation, Review, and Sign-Off</u></p> |
| <p><u>Finding</u></p> <p>Reconciliations between the Fund Managers’ report and master custodian report is undertaken to identify variances which are investigated and explained. The reconciliations are prepared by the Principal Finance Officer and reviewed by the Principal Accountant.</p> <p>Review of the reconciliations at the time of audit found the most recent version was only to the period ending on 31st March 2020. Further, we found the reconciliations had neither been signed off nor dated by the officers preparing and reviewing the same.</p> <p><u>Risk</u></p> <p>When reconciliations are not prepared, there is an increased risk that assets held are subject to loss and misappropriation.</p> |

PENSION FUND GOVERNANCE 2020-21

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

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| <p>Also, there is a risk of overstatement of the pension fund by the Managers. It is likely to result in a favourable and incorrect view of the Fund Manager, and retention. It is possible that there may be a shortfall on the pension fund, which may mean it is unable to meet its liabilities. In the absence of review, there is a risk that errors are not identified in a timely manner.</p> | |
| <p><u>Recommendation</u></p> <p>Management should ensure reconciliations are prepared in a timely manner, by an agreed day of each following month. Management should ensure the fund manager asset reconciliations are signed off and dated by the officers preparing and reviewing the file.</p> | <p><u>Rating</u></p> <div style="border: 1px solid black; background-color: yellow; padding: 2px; display: inline-block;">Priority 2</div> |
| <p><u>Management response</u></p> <p>Agreed, the Principal Accountant will timetable in this activity and ensure that the officer signs and dates the reconciliation.</p> <p><u>Accountable manager</u></p> <p>Principal Accountant (Technical & Control)</p> | <p><u>Agreed timescale</u></p> <p>Immediate</p> |

Assurance Level

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

Recommendation ratings

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

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FINAL INTERNAL AUDIT REPORT

ENVIRONMENT AND PUBLIC PROTECTION DEPARTMENT

REVIEW OF STREET LIGHTING

Issued to: Garry Warner, Assistant Director (Highways)
Harry Marshall, Highways and Street Lighting Manager
Sarah Foster, Assistant Director, Performance Management and Business Support (Final only)
Keith Lazarus, Head of Finance, ECS and Corporate (Final only)
Colin Brand, Director of Environment and Public Protection (Final only)

Prepared by: Principal Auditor

Reviewed by: Head of Audit & Assurance

Date of Issue: 23rd September 2020

Report No: ECS/01/2019/AU

REVIEW OF STREET LIGHTING

INTRODUCTION

1. This report sets out the results of our audit of Street Lighting. 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. This was delayed due to the COVID-19 pandemic and carried forward into the Internal Audit COVID-19 Recovery Plan 2020/21. 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. Maintenance of the Borough's street lighting stock, including street lighting columns, lit and unlit signs, bollards and name plates, forms part of the Highway Major Services Contract which, since 1st July 2018 has been operated by Contractor A.
3. Under the contract, the routine maintenance of street lighting is a fully managed service, for which the Council pays a fixed annual sum to maintain the street lights, illuminated signs and street furniture in working order. Defective street lights or signs are identified through the Contractor's monthly night inspection across the borough or raised through Fix My Street and telephone enquiries.
4. Routine maintenance incorporates the rectification of reported faults and undertaking a level of repair to ensure the assets remain 'in lighting', with non routine maintenance being the rectification of damage caused by structural corrosion or vehicle impact. The latter are subject to additional schedule of rate charges.
5. During 2019/20, circa 5,500 street lighting jobs were recorded on Confirm, (asset management software) as undertaken, of which 75% were designated 'routine'. The first quarter of 2020/21 saw circa 1,500 jobs recorded, with maintenance works continuing during the COVID-19 pandemic, subject to the availability of materials.
6. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

7. The original scope of the audit was outlined in the Terms of Reference issued in July 2020, the objective of which was to 'review governance and management of the contract to ensure controls are satisfactory and mitigate risk. To ensure that any revised service delivery arrangements put in place in recent months as a result of COVID-19 have appropriate governance arrangements and that the current and future business needs of the service are maintained'.
8. The key risks reviewed within this audit were:-

REVIEW OF STREET LIGHTING

- Management information is not obtained from the contractor on a timely basis or checked for accuracy
- Contractor performance is not measured or monitored against performance standards and milestones as set out in the contract
- The financial position is not monitored throughout the term of the contract
- Changes to service delivery and relaxation of governance arrangements may lead to weaknesses in the controls previously in place

AUDIT OPINION

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

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

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

REVIEW OF STREET LIGHTING

SUMMARY OF FINDINGS

10. Our testing identified four areas which we would like to bring to management's attention:-

Low Service Damages

When manually overriding and 'allowing' jobs which the automated reporting identifies as breaching the Low Service Damage indicator criteria, the rationale is not documented.

Documentation in which Low Service Damages are reported lacks consistency of narrative, with the indicators being referred to as both 'working day' and 'calendar day'.

Training

Staff with management/monitoring responsibilities of the Contract have not undertaken the Local Authority's Contract training modules.

Supporting Photographic Evidence

Street lighting jobs are not routinely supported by 'before and 'after' photographs identifying the asset, its location, the date and time.

Policy, Procedures and Resilience

There is no definitive process map or a formal end to end written procedure for delivery of the Street Lighting Service.

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 STREET LIGHTING
DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

1. Low Service Damages

Finding

- i) Whilst the process for establishing which jobs breach the Low Service Damage parameters is automated, all breaches are then manually reviewed prior to agreeing the monthly percentage. In some instances, (e.g. UK Power Network (UKPN) involvement which is outside of the Contractor’s control), the decision may be taken to discount a job from the breach total. The rationale for the decision is not currently recorded.
- ii) Contractual performance is reported through a number of documents including narrative reports such as Committee Reports ES 19026, 9th April 2019 and ES 19081, 13th November 2019 and a performance framework. The Low Service Damage indicators are referred to as ‘working days’ in the narrative reports and ‘calendar days’ in the performance framework.

Risk

- i) The current methodology does not provide an ‘audit trail’ as to the rationale behind each decision at the time. This could result in clarity issues with the Contractor when agreeing an amount of Low Service Damages to be charged at the year end.
- ii) Lack of consistency in the definition of reported figures.

Recommendation

- i) The rationale for manually overriding and ‘allowing’ jobs which the automated reporting identifies as breaching the Low Service Damage indicator criteria should be clearly annotated and the output held in the SharePoint repository.
- ii) Documentation in which Low Service Damages are reported should be reviewed, and amended as appropriate, to ensure consistency of ‘working day/calendar day’ narrative.

Rating

Priority 2

REVIEW OF STREET LIGHTING

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| <u>Management Response and Accountable Manager</u> | <u>Agreed timescale</u> |
|---|--------------------------------|
| i) The justification for manually overriding and ‘allowing’ jobs which the automated reporting identifies as breaching the Low Service Damage indicator criteria will be recorded in the calculation and held in SharePoint Highways & Street Lighting Manager | 1 st September 2020 |
| ii) A Contract Change Notice will be issued to clarify that all works durations are working days rather than calendar days Assistant Director (Highways) | 1 st October 2020 |

REVIEW OF STREET LIGHTING

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| | |
|--|---|
| 2. Training | |
| <p><u>Finding</u> Staff with contract management/monitoring responsibilities have not undertaken the Local Authority's Contract training modules.</p> <p><u>Risk</u> Without having undertaken appropriate training, staff may not:-</p> <p>i) have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities ii) act in line with the current guidelines</p> | |
| <p><u>Recommendation</u> A review be undertaken of the training needs/requirements of staff managing/monitoring the contract as part of personal development plans. Training needs are fulfilled, and records retained.</p> | <p><u>Rating</u> Priority 2</p> |
| <p><u>Management Response and Accountable Manager</u> Training in commissioning and project management will be arranged for all contract management staff. From initial discussions with Learning & Development on-line courses should be available by January 2021. Highways & Street Lighting Manager</p> | <p><u>Agreed timescale</u> January 2021</p> |

**REVIEW OF STREET LIGHTING
DETAILED FINDINGS AND ACTION PLAN**

APPENDIX A

3. Supporting Photographic Evidence

Finding

Street lighting jobs are not routinely supported by ‘before and ‘after’ photographs identifying the asset, its location, the date and time.

Whilst it is noted that photographic evidence would be of limited benefit for some, specifically routine maintenance jobs such as node/component change, a visual record would support both the initial order and the subsequent payment elements of the process, particularly those of a ‘non routine’ nature which do not form part of the monthly fixed fee payment and are subject to additional schedule of rate (SOR) charges.

Risk

Where there is no visual evidence supporting orders and payments, there is a risk that the Contractor is not delivering the service expected or achieving value for money.

Recommendation

Consideration should be given to:-

- ia) The Contractor’s staff supplying ‘before’ and ‘after’ photographs of jobs, particularly those of a ‘non routine’ nature which do not form part of the monthly fixed fee payment and are subject to additional schedule of rate charges.
- ib) Implementation of the Confirm asset management system’s ‘Workzone’ web based graphical interface.
- ii) The Street Lighting Contract Supervisor supplying photographs as part of the ‘Remeasurement’ process.

All photographs should identify the asset, its location, the date and time.

Rating

Priority 3

REVIEW OF STREET LIGHTING

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

| <u>Management Response and Accountable Manager</u> | <u>Agreed timescale</u> |
|--|-------------------------|
| <p>The contractor is required to provide photographs of all out-of-hours jobs. Discussions will be held with the contractor to extend these requirements to include photographs of all non-routine jobs.</p> <p>Highways & Street Lighting Manager</p> | <p>October 2020</p> |
| <p>While use of the Confirm asset management system for works orders and payments is a requirement of the contract, Confirm 'Workzone' is a separate system procured by the contractor. As this system has been successfully used for minor highway works, discussions will continue to encourage its use for street lighting routine and non-routine works.</p> <p>Highways & Street Lighting Manager</p> | <p>On-going</p> |
| <p>When undertaking post works inspections, the Street Lighting Contract Supervisor will include photographs of completed installations.</p> <p>Highways & Street Lighting Manager</p> | <p>October 2020</p> |

**REVIEW OF STREET LIGHTING
DETAILED FINDINGS AND ACTION PLAN**

APPENDIX A

| | |
|---|---|
| 4. Policy, Procedures and Resilience | |
| <p><u>Finding</u> Whilst the underlying governance process for delivery of the Street Lighting Service is contained within the Highway Major Services Contract, and elements of the workstreams undertaken by staff managing/monitoring the contract are documented, there is no definitive process map or a formal end to end written procedure.</p> <p><u>Risk</u> The lack of documented procedures may lead to:-</p> <ul style="list-style-type: none"> i) the process not being carried out consistently ii) business continuity issues within the service in the event of staff absence/turnover. | |
| <p><u>Recommendation</u> The Street Lighting Service procedure should be formally documented and accessible.</p> | <p><u>Rating</u> Priority 3</p> |
| <p><u>Management Response and Accountable Manager</u> Processes involved in delivering the Street Lighting service will be captured and documents, with agreed procedures accessible in SharePoint. Highways & Street Lighting Manager</p> | <p><u>Agreed timescale</u> January 2021</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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INTERNAL AUDIT FINAL REPORT
CHILDREN'S SOCIAL CARE

**INTERNAL AUDIT REVIEW OF THE TROUBLED FAMILIES CLAIM
 FOR THE PERIOD 1 APRIL 2020 TO 30 SEPTEMBER 2020**

Issued to: Rachel Dunley, Head of Early Intervention
 Kokui Binns, Intelligence & Operations Lead
 Neil Dilkes, Intelligence & Operations Co-ordinator

Cc Janet Bailey, Director of Children's Services
 David Dare, Assistant Director, Children's Social Care
 David Bradshaw, Head of Finance, Education, Children and Families
 David Hogan, Head of Audit and Assurance

Prepared by: Trainee Auditor

Reviewed by: Principal Auditor

Date of Issue: 2 October 2020

Audit ref: PEO/08/2020

REVIEW OF THE TROUBLED FAMILIES CLAIM

INTRODUCTION

1. This report sets out the results of our audit testing of a sample of individual claims for the claim period between 1 April 2020 and 30 September 2020.
2. We have agreed with the Early Intervention Team that checks on a sample of individual claims will be carried out every six months, in September and March of each financial year. These compliance checks seek to confirm that the sample of individual claims to be submitted at the end of those periods meet the employment or significant and sustained progress criteria, enabling a claim to be made.
3. The Financial Framework for the Troubled Families Programme issued in January 2018 by the Department for Communities and Local Government (now the Ministry of Housing, Communities and Local Government) sets out the 'Principles for Internal Audit'. Following these principles, we selected a sample of 10% of claims submitted for the six month period ended 30 September 2020. This was to ensure continuity of testing from the previous claim period.

METHODOLOGY

4. There were 70 individual claims closed between 1 April 2020 and 30 September 2020 and our sample for checking consisted of 7 claims. The claims in our sample were where the Early Intervention Team considered that the national and/or local criteria as set out in the London Borough of Bromley's Outcome Plan had been met and significant and sustained progress had been made, resulting in the family no longer being attached to the programme.

| |
|---|
| AUDIT OPINION |
| The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met |

SUMMARY OF FINDINGS

5. Our review of these claims found that each one in our sample for testing met the relevant criteria for a claim to be made. We also confirmed that these families had not been claimed for previously.

REVIEW OF THE TROUBLED FAMILIES CLAIM

6. We verified that the total amount claimed for payment by results for the 70 individual claims submitted between the period 1 April 2020 and 30 September 2020 was £56,000. As a result of our testing there are no findings and there are no recommendations arising from this review.
7. Finally, we would like to thank everyone contacted during this review for their help and co-operation.

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Financial Services

Civic Centre, Stockwell Close, Bromley BRI 3UH

Telephone: 0208 464 3333

Direct Line: 0208 313 4886

Email: david.hogan@bromley.gov.uk

Fax: 020 8313 4335

Internet: www.bromley.gov.uk

REDACTED

Team Leader
Blue Badge Team
Department for Transport
Sent by email to:
(Address redacted)

Dear Sir,

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

Further to the Head of Blue Badge Policy's correspondence of 27th January 2020, which advised that the Department for Transport was providing the London Borough of Bromley with revenue block funding 'towards the additional administration costs that have arisen because of the changes to the eligibility criteria for Blue Badges to include non-visible disabilities which came into force on 30 August 2019', of **£6,585.67:-**.

'To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Local Transport Revenue Block Funding (Blue Badge New Criteria Implementation) Specific Grant Determination (2019/20) No. 31/3936 have been complied with'.

Yours faithfully,

Signed

(Signature redacted)

David Hogan

Head of Audit & Assurance

Date: 14 July 2020

Signed

(Signature redacted)

Ade Adetosoye OBE

Chief Executive

Date: 15th July 2020

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Financial Services

Civic Centre, Stockwell Close, Bromley BRI 3UH

Telephone: 0208 464 3333

Direct Line: 0208 313 4886

Email: david.hogan@bromley.gov.uk

Fax: 020 8313 4335

Internet: www.bromley.gov.uk

REDACTED

Housing Support Division
Ministry for Housing, Communities and Local Government
Sent by email to:
(Address redacted)

Dear Sir,

**Integration and Better Care Fund: The Disabled Facilities Capital Grant (DFG)
Determination 2019-20 [31/3710]**

Further to the Deputy Director of the Housing Support Division's letter of May 2019 which advised of a 2019-20 Disabled Facilities Grant Allocation to Bromley of **£2,152,696:-**.

'To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Disabled Facilities Capital Grant Determination (2019-20) No [31/3710] have been complied with'. However, within the 2019-20 Financial Year, a spend of £1.591m against the budget was achieved. The remainder has been carried forward and mandatory DFG work, whilst restricted by COVID-19 at the commencement of the 2020-21 financial year, continues, with a further £233k spent during the first quarter.

Yours faithfully,

Signed

(Signature redacted)

David Hogan

Head of Audit & Assurance

Date: 1 October 2020

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