

## **AUDIT SUB-COMMITTEE**

Minutes of the meeting held at 7.00 pm on 8 June 2021

### **Present:**

Councillor Neil Reddin FCCA (Chairman)  
Councillor Robert Evans (Vice-Chairman)  
Councillors Gareth Allatt, Simon Fawthrop, Tony Owen,  
Stephen Wells and Angela Wilkins

### **Also Present:**

Sara Bowrey—Director of Housing, Planning and  
Regeneration

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

There were no apologies for absence and the Chairman welcomed Councillor Wilkins and Councillor Fawthrop to the Committee.

#### **72 DECLARATIONS OF INTEREST**

Councillor Fawthrop declared an interest with respect to the item on the Corporate Risk Register regarding IT failure. This was because he worked for British Telecom; he commented that he did not believe his interest was prejudicial and the Chairman agreed.

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

Councillor Wells declared an interest as he sat on the Court of St Olave's and was a Governor of St Saviour's School. He declared a further interest in that his wife ran a company which had been in receipt of government grants via Bromley Council.

#### **73 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 9th MARCH 2021 (EXCLUDING THOSE CONTAINING EXEMPT INFORMATION)**

A Member made a comment concerning the previous minutes with respect to updating the profile of the Committee. She asked where the reports of the Audit Sub-Committee went to. She referred to the issue of time spent working on Covid related work. She had been told that this had had no impact on the normal work undertaken by officers. She felt that this was clearly not the case and asked for an update concerning this. The Chairman commented that reports could be referred onward by the Committee itself and it was further noted that the reports of the Audit Sub Committee were published.

A Member stated that in his view, reports should go to the relevant PDS Committee for scrutiny. The Chairman commented that the Committee could be reporting to Full Council in the future if the profile of the Committee was elevated.

**RESOLVED that the minutes of the meeting held on 9<sup>th</sup> March be agreed as a correct record.**

#### **74 QUESTIONS TO THE AUDIT SUB COMMITTEE**

No questions had been received.

#### **75 MATTERS OUTSTANDING--PART 1**

##### **CSD 21066**

The previous year's audit fee had been arbitrated by the PSAA (Public Sector Audit Appointments) after being challenged by the Director of Finance; the fee had subsequently been reduced from £219k to £199k. The fee for the current year was still being challenged by the Director of Finance. It was clarified that the £199k fee related to the year 2018/19.

A discussion took place to explain why the recommendations for the Leavers' process had been closed off despite what had been recorded as 'limited assurance.'

**RESOLVED that the Matters Outstanding report be noted.**

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

No questions were received regarding the published audit reports on the Council's website.

#### **77 ANNUAL GOVERNANCE STATEMENT 2020/21**

##### **FSD21031**

The Head of Audit and Assurance summarised the report.

A review was required annually of the Council's control and governance practices—this had to be compared with the relevant local government framework. In drafting the AGS (Annual Governance Statement), relevant officers from across the Council had been consulted—these included the CLT, Monitoring Officer, Democratic Services Manager, Risk Management Group and the Director of Finance.

The main significant governance issues arising in the AGS were:

- Finance
- Valuation of Fixed Assets
- Impact of Covid 19 on service delivery

Members noted this was a comprehensive document that outlined much good practice. Key documents were referenced at the back of the AGS. The AGS would be examined by the External Auditors. The Committee was informed that the AGS had to be signed off by the Leader and the Chief Executive.

The Chairman asked if it had ever been the case that any problems had arisen after the External Auditors had looked at the AGS. The Head of Audit and Assurance replied that LBB had not experienced any issues in this regard.

A Member referred to the arrangements for meetings that were resolved by the Urgency Committee when the pandemic first started. She said that it had been promised that these arrangements would be reviewed in June 2020, but that this had not been the case. She further expressed concern that no mention was made of the increased spending limits granted to the Leader of the Council at that time. The Head of Audit and Assurance responded that as the document was still in draft form it could be amended if required.

A Member commented on the issue of procurement and said that it was unfortunate that the report was silent with respect to tenders and bids under £50k. He understood that the Council looked at cumulative totals as well as individual elements. The Member referred to the matter of what the report referred to as 'continuing to reduce bureaucratic burdens'. He wondered if this was actually taking place and if so it would be good to include examples in the report.

A Member referred to the fact that the Council's accounts had not been signed off for a few years. In his view, there did not seem to be enough urgency in resolving this matter, which he felt needed to be expedited as soon as possible. It was not good for the reputational image of the Council to have no value for money assessment for three consecutive years.

A discussion took place around the issue and the protocols followed with respect to whistle blowing. The Head of Audit and Assurance commented that in some cases it would be appropriate for him to discuss whistle-blowing issues with the Monitoring Officer and with the Director of Finance. It would not always be appropriate to report back to the whistle-blower, if the matter related to another individual, but in some cases it was appropriate to report back to the manager of the relevant service. The Member asked what the Head of Audit and Assurance would do if he was unhappy with how whistle blowing information was dealt with. The Head of Audit and Assurance stated that the relevant regulations allowed him to have access to the Chair of the Audit Sub-Committee as well as the Chief Executive if required. Generally, appropriate action was taken and there would be no sweeping of issues under the carpet.

The Committee discussed the matter of senior people who had previously worked for the Council in LBB's planning section and then subsequently were employed in the private sector as planning agents. Public perception could be that this person may have undue influence and so perhaps stricter protocols concerning such matters should be considered. The Head of Audit and Assurance said that this was a matter he could discuss with the Monitoring Officer.

A Member expressed the view that £2.75m of public money had been wasted, with respect to the development of the Crofton Road Cycle Lane. He said that the local residents had been 'up in arms' about this development. He disputed the fact that the development had been undertaken based on clear evidence and enquired as to what Members could do if they felt that public money had been wasted--as they no longer had access to a District Auditor. It was noted that in this case the matter had been 'called in'. The Head of Audit and Assurance responded that if it was an issue with due process then the matter could be referred to the Monitoring Officer. He clarified that whilst the District Auditor or the Audit Commission no longer existed, the equivalent rights existed where matters could be referred by electors to the External Auditor.

A Member enquired as to where she could make complaints with respect to planning issues. She said that she had in the past referred matters with respect to planning to the Standards Committee, but in her view the responses were unsatisfactory. She wondered if the Audit Sub-Committee could draft a report on the governance procedures that related to the Standards Committee. She highlighted the fact that after the Planning Advisory Service Review of 2019, it had been suggested that changes be made to some of the governance procedures around planning.

As a result of this review, some changes were made with respect to the governance process around planning, including the fact that now if a Member called in a planning application, the planning reason for the 'call in' had to be supplied. The Member expressed the view that in addition, the name of the Member who called in the application should be published with the agenda papers. She commented on the perceived undue influence that staff leaving the Council (after working in Planning) and then being re-employed in the private sector as a planning agent could seem to have.

A Member wondered (with respect to the Crofton Cycle Lane) if objectors could submit an objection to the accounts if they felt that the project was not value for money. The Head of Audit and Assurance responded that any resident could exercise their democratic rights and raise objections to the accounts, these would then be looked at by the External Auditors; obviously the relevant grounds would need to be established for any objections to be taken seriously.

**RESOLVED that**

- 1) The Committee noted the comments made with respect to the Annual Governance Statement and the Committee agreed the Statement.**
- 2) The Head of Audit and Assurance would discuss the matter of former senior members of the Planning Department leaving the Council and working in the private sector as Planning Agents with the Director of Corporate Services.**
- 3) The Head of Audit and Assurance noted comments made by the Committee and he would amend the draft AGS if he felt that this was appropriate.**

**78            ANNUAL INTERNAL AUDIT REPORT 2020/21**

**FSD21030**

This was a summary of work undertaken in the last year. Covid 19 had significantly impacted on the Internal Audit Team directly, with some of the team being allocated to other duties and those remaining provided assurance on Covid 19 work streams. This was in addition to the impact on services due to be audited.

Much of the work of the Internal Audit Team had been directed towards Covid related functions and dealing with the various government grants that were due to be allocated to businesses. The Internal Audit Team were involved in providing advice on setting up the processes required so that the various grants could be paid out quickly, effectively and with the minimum amount of fraud. This work had been unrelenting. The work undertaken was therefore different in style to previous years, with more assurance being provided in real time.

Things had been different over the course of the last year and Internal Audit (in order to ensure they had sufficient evidence for their annual opinion) had sought signed assurances from Directors that their Departments were following the relevant rules and regulations. Assurances had also been sought by Internal Audit from what was termed as the Council's 'second line of defence' functions which included departments such as Legal, Health and Safety, IT, various performance management teams, Safeguarding and Complaints.

Internal Audit was due to have an external assessment on themselves by an audit team from another council, but this had to be abandoned because of Covid and had now been scheduled for quarter four of next year. It was planned that the LBB Internal Audit Team would undertake a review of the London Borough of Hackney's internal audit function in 2023 to 2024.

The Head of Audit and Assurance expressed the view that after an analysis of the quality and effectiveness of Internal Audit, he was confident that the service generally conformed with the Public Sector Internal Audit Standards.

The Internal Audit Team was looking at the use of rotation of assignments and at updating the risk register with respect to fraud related risks. Going forward, new checklists would be introduced and considered before new audits were undertaken.

The Head of Audit and Assurance confirmed that there had been no threats/interference to the scope or objectivity concerning the work undertaken by Internal Audit. He confirmed that overall, LBB had an adequate and effective framework of governance, risk management and a sound system of control.

At this point the Committee moved briefly into the Part 2 section of the meeting to discuss issues relating to cyber security. (The details of this discussion will be found in the Part 2 Minutes).

The Committee was provided with a brief update concerning the finalising of the Council's accounts for 2019/20 and 2020/21.

A brief discussion took place with respect to the matter of fixed assets. The comment was made that no one really knew what they were worth (until the point of sale) and what was the risk to LBB of a bad valuation. The Head of Audit and Assurance commented that in his view, a different valuation created by a different methodology was not in itself a high risk to the Council. Different companies used different methodologies. It was noted that other local authorities were experiencing similar issues. However, it was important that the accounts were considered to be accurate and reliable.

A discussion took place concerning the resourcing of the Internal Audit Team and the additional £30k funding that had been allocated to them to buy in expertise from Mazars. It was noted that they would be used by Internal Audit to catch up on a backlog of work.

At this point the Committee moved back into Part 2 to discuss further matters with respect to cyber security.

**RESOLVED that**

- 1) The Annual Internal Audit Report be noted.**
- 2) The Committee notes the opinion of the Head of Audit and Assurance that the overall internal control environment within the London Borough of Bromley is sound.**

## **79 INTERNAL AUDIT PROGRESS REPORT**

### **FSD21029**

The Committee was informed that Internal Audit was nearing the end of dealing with restart grants. Staff dealing with the ARG grants were being given training and access to the NFI database to carry out the required checks around grant payments. For the next Committee, it was likely that reports would follow regarding GDPR, Creditors and Housing Benefit. An update was provided regarding the Leavers' process, which was a matter that had previously been referred to the Chief Executive. A Team was leading on this issue and it was now the case that the recommendations had been mostly implemented.

Members were updated regarding the follow up audit for St Olave's School. Most of the previous recommendations had now been implemented and so the assurance level had been raised from 'Limited' to 'Reasonable'. Internal Audit had noted some issues around the way that contracts had been procured in that in some cases it seemed that there had been inadequate planning and preparation before going out to tender.

It was noted that one duplicate claim had been spotted during the audit of the Troubled Families Claim.

An update was provided with respect to the follow up audit concerning Highways. There had previously been three priority one recommendations, one of which had been implemented and two of which still needed to be followed up and addressed. The Internal Audit Team had sought documented proof that the other two priority one recommendations were being implemented. As at the date of the meeting, this confirmation had not been uploaded to the system and so those remaining recommendations were still not able to be closed. It was acknowledged that one of the key officers involved with respect to Highways had been required to oversee responsibility for the Vaccination Centre. The Head of Audit and Assurance stated that a follow up report with respect to Highways would be presented at the next meeting of the Committee.

Members received an update concerning risk management and it was noted that all of the Council's risk registers for all of the relevant departments and portfolios had been incorporated into the agenda papers. The risk management process had been operating well remotely.

The Committee was briefed concerning waivers, and the relevant data concerning waivers had been incorporated into the agenda pack; this had been produced by the Assistant Director for Governance and Contracts.

An update was provided with respect to the Redmond Review and it was noted that the Government had decided not to establish a new oversight body. Instead, a new body was already in the process of being established and this was the Audit Reporting and Governance Authority.

This authority was going to replace the Financial Reporting Council and would now include the additional responsibilities relating to local government audit.

Regarding the Leavers' process, a Member asked if any deficiencies in this regard had had an adverse effect on the pension fund or on pay. The Head of Audit and Assurance responded that the people who had left the employment of the Council had been notified to HR and as far as he was aware there had been no adverse effect on the pension fund or on pay. The deficiencies in the Leavers' process had more to do with the return of IT equipment, phones and purchasing cards and removing access to systems. It was noted that in the future there would be an audit of payments and pension and this would be considered.

At this point two announcements were made. The first announcement was that this would be Councillor Reddin's last year as a Councillor and as the Chairman of the Audit Sub Committee. The second announcement was that the Head of Audit and Assurance (Mr. David Hogan) was planning to retire. He had agreed with the Director of Finance to stay on until a replacement was found and a handover was completed. The Chairman and the Committee expressed their many thanks to Mr Hogan for his excellent work for the Council and the Committee.

**RESOLVED that:**

- 1) The Internal Audit Progress report be noted.**
- 2) The Internal Audit reports published on the Council's website be noted.**

**80            LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE  
                 LOCAL GOVERNMENT (ACCESS TO INFORMATION)  
                 (VARIATION) ORDER 2006 AND THE FREEDOM OF  
                 INFORMATION ACT 2000**

**RESOLVED that the press and public be excluded during consideration of the items of business listed below as it was likely in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present, there would be disclosure to them of exempt information.**

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

As this report detailed matters that were deemed to be of a confidential nature, then the minutes for this part of the meeting are detailed in full in the Part 2 (confidential) minutes.

**82            MATTERS OUTSTANDING--PART 2**



As this report detailed matters that were deemed to be of a confidential nature, then the minutes for this part of the meeting are detailed in full in the Part 2 (confidential) minutes.

**83            EXEMPT MINUTES OF THE MEETING HELD ON 9th MARCH 2021**

The Part 2 minutes of the meeting held on 9<sup>th</sup> March 2021 were agreed as a correct record.

The meeting ended at 9.30 pm