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## **AUDIT SUB-COMMITTEE INFORMATION BRIEFING**

**Meeting to be held on Tuesday 8 June 2021**

### **QUESTIONS ON THE INFORMATION BRIEFING**

The Briefing comprises:

- 1 FOLLOW UP REVIEW OF ST OLAVES GRAMMAR SCHOOL 2020--2021 (Pages 3 - 24)**
- 2 FOLLOW UP REVIEW OF THE LEAVERS PROCESS (Pages 25 - 40)**
- 3 TROUBLED FAMILIES CLAIM FOR THE PERIOD 1ST OCTOBER 2020 TO 31ST MARCH 2021 (Pages 41 - 44)**
- 4 COVID 19 CLAIM PROCESS FOR THE LOCAL DISCRETIONARY GRANT SCHEME (Pages 45 - 54)**
- 5 REVIEW OF POVEREST PRIMARY SCHOOL (Pages 55 - 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](mailto:stephen.wood@bromley.gov.uk).

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**FINAL INTERNAL AUDIT REPORT**

**EDUCATION DEPARTMENT**

**FOLLOW UP REVIEW OF ST OLAVES GRAMMAR SCHOOL 2020/21**

**Issued to:** Andrew Rees, Head Teacher  
Lucy Crawford, Head of Finance  
Chris Dines, Finance Manager  
Steve Rogers, Premises Manager  
The Venerable Dr. Paul Wright, Chair of Governors (final report only)

**Cc** Jared Nehra, Director of Education (final report only)

**Prepared by:** Principal Auditor

**Reviewed by:** Head of Audit and Assurance

**Date of Issue:** 20th May 2021

**Report No.:** PEO/10/2021

**INTRODUCTION**

1. This report sets out the results of our systems based follow up audit of St Olaves Grammar School. The audit was carried out in quarter four as part of the programmed work specified in the 2020/21 Internal Audit Plan, agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

**AUDIT SCOPE**

3. This follow up review considered the Internal Audit report issued on 27 February 2020 and the progress made to implement the twelve recommendations.

**MANAGEMENT SUMMARY**

4. Given the audit coverage in previous years, the span of recommendations raised in February 2020 and the Priority 1 updates to Audit Sub Committee in November 2020 and March 2021 it was agreed that this would be a follow up audit review although sufficient testing of controls has been undertaken to allow an audit opinion to be formed.
5. In line with Government guidelines the Internal Audit review this year has had to be completed remotely and the work plan adapted. The sample of payments was selected from the bank history and the Finance Manager (FM) sourced and scanned the order, invoice and supporting documentation. It is acknowledged that this was more time consuming and Internal Audit would like to thank the Finance officers for their help and support during the audit process. Similarly, system reports were requested and issued to the auditor. Telephone meetings have been held with the Head of Finance and the Finance Manager and as in previous years the school have been fully engaged with the audit review. It is hoped that the next audit in the Autumn Term 2021 will be completed on site if COVID restrictions allow.
6. The original Internal Audit report issued in February 2020 identified two priority 1 recommendations relating to Expenditure processes and Financial Management. At the Audit Sub Committee meeting 8 March 2021 Members were advised that the school had satisfactorily progressed both recommendations to be implemented.

7. For the recommendation relating to Expenditure it was noted that the school had successfully appointed to the Head of Finance position which would strengthen the finance function, allow business continuity and separate strategic and operational roles to create internal challenge and scrutiny. The school evidenced procedures for the expenditure process and confirmed that procurement advice had been sought, when required for the large one-off projects.
8. For the recommendation relating to Financial Management, documents had been submitted to support progress to implement; the 2020/21 budget statement signed by the Chair of Governors, an Income and Expenditure report on the 30.9.20 confirming a balanced budget with £250K reserves, a more formal approach to drawing down Foundation Funds and Management Accounts reported to Committee were supported by detailed schedules. The Head of Finance presented a comprehensive Management Reporting document to the Finance Committee on the 10<sup>th</sup> February 2021. This document clearly sets out financial priorities for 2021, analyses the latest Income & Expenditure report, updates on the four capital projects, shows the current Voluntary Fund balances, shares the objective to integrate school strategy and long term financial planning, reports on current reserves and funding streams, fund raising initiatives and the school's response to the Internal Audit recommendations
9. Of the 12 recommendations raised in February 2020, the two priority 1 recommendations have been satisfactorily implemented as detailed in paragraph 6 to 8 above. Of the 7 priority 2 recommendations, 5 relating to HMRC (payments to individuals), Cash Flow, Bank Reconciliation, Petty Cash and Income have been satisfactorily implemented, however the recommendations relating to the Asset Register and Cyber Security are outstanding. Of the three priority 3 recommendations, the two relating to control accounts (aged creditors and debtors) and the purchase card have been implemented, however the recommendation relating to pecuniary interests is outstanding. The Detailed Management Action Plan at appendix A sets out the original recommendation, management comment and the follow up work undertaken for this review. The outstanding recommendations have been re-recommended (denoted with a \*) any new recommendations identified in the follow up testing are also set out in Appendix A.
10. The school was issued with a pre audit questionnaire to highlight any issues to be included in the audit review and to gauge any interim control changes imposed by COVID19. As a self-assessment, the returned questionnaire was certified by the Head Teacher and Chair of Governors to evidence independence of the Finance Function. The school set out two areas where advice would be helpful: early notification from the Borough of available grant funding and the use of electronic signature and authorisation. The comment relating to grants has been forwarded to the Head of Finance (Education Families and Children) and it was noted that an electronic signature was used for petty cash claims; the school should include the acceptance of an electronic authorisation as part of their Finance procedures.
11. During the period since the last audit review the school have contacted Internal Audit to seek advice on several areas of business, specifically the payment to parents for free school meals, payment of invoices during lockdown and the variation to the cleaning contract.

Since the appointment of the Head of Finance, Internal Audit have been asked to comment and offered advice on the Scheme of Delegation and the waiver process (purpose and information to be evidenced).

12. Overall, the school have evidenced significant progress to implement the recommendations raised in the February 2020 Internal Audit report and as such the Audit Opinion has been raised from Limited to Reasonable. There are three outstanding recommendations, cyber security, asset register and pecuniary interests.
13. Audit testing of the expenditure process for this follow up review has identified the following issues for the school to consider: -
  - Purchase orders to be raised for all expenditure, exceptions to this being set out in Financial Regulations
  - A comprehensive audit trail to document key decisions about procurement
  - Inclusion of the VAT registration number should be checked on all invoices before payment
  - Evidence compliance to Local Authority Procurement guidelines, Financial Regulations and Contract Procedures Rules for the procurement and project management of one-off schemes.
  - The project checklist and documentation should support the procurement, project management, financials and approvals for all one-off projects.
14. The audit sample included the payment to the original contractor awarded contract A.
15. It is acknowledged that the procurement was instigated by the former School Business Manager (SBM), who left the school in January 2020 and the current officers have attempted to provide the supporting documentation requested by Internal Audit but there are gaps in the information provided. The Premises Manager is working on a "lessons learnt" document to be reported to Governors. The main issues identified by audit that need to be considered to ensure full compliance for any future projects are as follows: -
  - The available budget must be identified at the start of the project; preliminary surveys and planning must reflect the funds available to ensure the specification can be delivered within/near to budget
  - The school were advised that the financial due diligence of the recommended contractor should be completed before award. There is no evidence that this was done. The Head of Finance has advised that going forward a specialist company will be engaged to undertake financial due diligence, and this was evidenced with the contract B.
  - Once the original tenders had been evaluated and the costs significantly exceeding budget identified, there is no evidence that all contractors were invited to retender to the revised specification. If that is the case the school initiated a negotiated procurement which would not comply to Local Authority guidelines and may not deliver value for money.

16. The previous Internal Audit report finalised in February 2020 identified the same issues for contract C, a priority one recommendation was issued. The school evidenced remedial processes with regard to the waiver procedure and creation of a project file and checklist to support implementation of that priority one recommendation. Contract A was procured at the same time as the contract C and therefore not subject to the controls put in place following the audit report. The Head of Finance has confirmed that going forward the surveying/project management professional services will be competitively procured, and a specialist provider engaged to complete financial assessments before contract award. The system to procure and manage projects has been improved and as such the finding and recommendation identified this time will be a priority 2. The issues identified are primarily outside of the finance function as the responsibility to procure, award and manage these one-off projects has been transferred to the Premises Manager. The roles and responsibilities of officers should be clarified to ensure ownership and ensure shared access to key information.
17. The impact of COVID 19 and the challenges faced by officers to maintain the Finance function during lockdown is acknowledged as are the interim measures that needed to be implemented.

<b>AUDIT OPINION</b>	
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18. Our overall audit opinion, number and rating of recommendations are as follows.

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

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	2* and 1 new recommendation	1*

**DETAILED FINDINGS/MANAGEMENT ACTION PLAN**

19. Appendix A provides information on the recommendations that are being followed-up and the status following the audit review. Any new findings and re recommendations are also detailed in Appendix A of this report and require management comment. Appendix B also gives definitions of the priority categories.

**ACKNOWLEDGEMENT**

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

				APPENDIX A
No	Recommendation (Internal Audit report February 2020) Priority Rating	Management comment Responsibility and Time Scale	Follow-up comments	Status
1.	<p><b>Expenditure</b> All expenditure must comply to Financial Regulations; tendering should be undertaken for projects &gt;£50K.</p> <p>Any exemption to Financial Regulations must be supported by a waiver signed by both the Head Teacher and the Chair of Governors.</p> <p>The project checklist and folder evidence a significant improvement however this is work in progress and the information, completeness and accuracy needs to be improved.</p> <p>All payments should be supported by an adequate audit trail, including agreed quotes, variations, evidence of eligibility and commitment of purchase.</p> <p>The FM to be made aware of financial commitment at the first opportunity and be kept up to date or have access to any changes and variations prior to payment.</p> <p>Authorised signatories only should approve orders/invoices</p> <p><b>Priority 1</b></p>	<p>Going forward all contracts over £50,000 will require written tenders using either, open procedure, two stage process procedure or negotiated procedure.</p> <p>For any contract or purchase over £5,000, competitive quotes will be sought or a waiver signed by the Headteacher and the Chair of Governors will be produced.</p> <p>Procedures for checking invoices against purchase orders will be tightened and contractors to be challenged when they fail to produce detailed invoices.</p> <p>The raising of purchase orders for any changes in a project should alert FM of increases in commitment along with being cc'd into email trails on Capital projects</p> <p>Training to be sought for key personnel on procurement.</p> <p>Only authorised signatories are supposed to authorise purchase orders/invoices. Staff have been reinstructed and procedures rewritten to emphasize this.</p>	<ul style="list-style-type: none"> <li>• Updates to the Audit Sub Committee in November 2020 and March 2021 reported the progressed evidenced by the school to implement this recommendation. To summarise, written procedures to support the expenditure process, procurement advice to support large projects and appointment to the Head of Finance post to allow business continuity and separation of operational and strategic finance roles. The priority 1 recommendation was closed.</li> <li>• For this follow up review a sample of 10 payments was selected from the Bank History December 2019 to December 2020. It should be noted that the threshold for tendering is now £100K+, 3 quotes are required for expenditure £5K to £100K</li> </ul> <p>The main issues arising are that: -</p> <ul style="list-style-type: none"> <li>• Purchase Order to be raised in all cases unless expenditure is exempt an order as per Financial Regulations</li> <li>• IR35 Online assessment to be completed</li> <li>• A comprehensive audit trail to document key decisions with regard to procurement</li> <li>• Inclusion of the VAT registration number should be checked on all invoices before payment</li> </ul>	<p>Partially Implemented</p> <p>See new finding and recommendation relating to expenditure (No 13)</p>

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No	Recommendation (Internal Audit report February 2020) Priority Rating	Management comment Responsibility and Time Scale	Follow-up comments	Status
		H/T/Finance Manager/Premises Manager - Immediate	<ul style="list-style-type: none"> <li>Evidence compliance to Public Sector Procurement guidelines and Contract Procedures Rules for the procurement and project management of one-off schemes.</li> <li>The project checklist and documentation should support the procurement, project management, financials, and approvals for all one-off projects.</li> </ul>	
2.	<p><b>HMRC</b></p> <p>Where possible payments should always be made to a company rather than a named individual</p> <p><b>Priority 2</b></p>	<p>Procedures for checking invoices subject to IR35 legislation have been revised to clarify that payment must be to company rather than an individual if a company name is shown on the invoice, even if the supplier requests payment in their name.</p> <p>Finance Manager - Immediate</p>	<p>From the bank history payments to 3 named individuals were selected. The FM confirmed online questionnaires had been completed to show the self-employed status and qualification to be paid directly. For one officer the role is now split between self-employed and payroll and the school are processing the payment accordingly.</p> <p>The school have evidenced a procedure to review and check payments to individuals and retain documentation.</p> <p>The school have been advised that from April 2021 there have been changes to the off-payroll payments so that the status determination statement needs to be shared with the individual and there is now a 45 day period for appeal.</p>	Implemented

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<b>No</b>	<b>Recommendation (Internal Audit report February 2020) Priority Rating</b>	<b>Management comment Responsibility and Time Scale</b>	<b>Follow-up comments</b>	<b>Status</b>
3.	<p><b>Asset Register</b></p> <p>The arrangements to maintain the IT asset register should be confirmed with the new IT provider. The handover and exit arrangements with the outgoing IT provider should be evidenced.</p> <p>The school should ensure that the purchase of any new IT equipment is uploaded to the asset register and any write off or disposal duly certified by the school.</p> <p>A sample stock take should be undertaken, independent of the IT provider and a copy of the IT asset register should be printed off annually for the Head Teacher to certify that all assets are accounted for.</p> <p><b>Priority 2</b></p>	<p>The new ICT contractor has been asked to complete a review of the IT asset register.</p> <p>The ICT contractor will be instructed to get approval during the year for any disposals, highlight missing items and to update the register with any new items purchased through the year.</p> <p>The School will incorporate the ICT asset register into the annual asset register update. As part of the annual asset check spot checks will be carried out by the School. The complete asset register including IT equipment will be signed off by the Headteacher.</p> <p>H/T and Finance Manager – Immediate</p>	<p>At the previous audit in December 2019, the then SBM had assured Internal Audit that there would be an exit strategy as the IT contract changed, this would include a handover of assets. The previous IT contractor went off site on the 20.12.19 and new contractor started on the 1.1.2020. The FM requested, as a recommendation in the audit report an asset list of IT equipment. This has been an ongoing issue with the IT contractor. The task was allocated to one of the onsite technicians and an asset list submitted in December 2020. The FM sample checked the staff laptop list and identified out of date information namely staff that had left the school. The school concluded that the initial checks indicated that no reliance could be placed on the asset register submitted and was returned to the contractor. The contractor has now undertaken to complete an IT asset list “from scratch”.</p> <p>The non-IT equipment check would have been due in July 2020 but due to COVID restrictions and the impact school business this has been delayed until July 2021. FM was advised that the H/T should e-mail his authorisation to postpone the annual check to be filed with the asset registers.</p>	Outstanding

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No	Recommendation (Internal Audit report February 2020) Priority Rating	Management comment Responsibility and Time Scale	Follow-up comments	Status
4.	<p><b>Cash Flow</b> The cash flow reports are an important control document and useful tool for financial management.</p> <p>It is therefore important that the cash flow report be produced monthly and reviewed and certified by the authorising officer in a timely manner to confirm the values declared and acceptance of the explanations for any variance.</p> <p><b>Priority 2</b></p>	<p>Cashflows are produced monthly as per London Borough of Bromley requirements.</p> <p>The retrospective cashflow will be signed in a timely manner and variances explained</p> <p>H/T – Immediate</p>	<p>The original finding related to the authorisation of this monthly report. For the period when SBM post was vacant the H/T authorised the report, the FM signed as the initiating officer. Since the appointment of the Head of Finance, certification has reverted to this officer.</p> <p>January and February 2021 cash flow reports satisfactorily evidenced, variances explained by the issues that impacted the school during COVID and the difficulties of setting a month by month budget in 2020.</p>	Implemented
5.	<p><b>Bank Reconciliation</b> The authorising officer should have a clear understanding of their role as an authorising officer. The certifying signature is added to the report once that officer is satisfied that agreed checks have been satisfactorily completed.</p> <p><b>Priority 2</b></p>	<p>The SBM was given training in the bank reconciliation process. This is a minor oversight. Systems will be put in place to ensure that it does not happen again.</p> <p>H/T, Finance Manager and Purchase Ledger Clerk – Immediate</p>	<p>The original finding related to the sample month having been authorised but not signed by the initiating officer.</p> <p>The bank reconciliation for January 2021 evidenced two officers signing off the statement. No issues arising on the reconciliation although it was noted that 2 cheques for £100 each are dated 5.6.2019 and 18.9.2019 are shown on the unreconciled items list. FM confirmed that these payments have been added back to the school account.</p>	Implemented

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No	Recommendation (Internal Audit report February 2020) Priority Rating	Management comment Responsibility and Time Scale	Follow-up comments	Status
6.	<p><b>Financial Management</b></p> <p>The budget summary document should have been signed by the Chair of Governors and retained as evidence that the document presented was approved. This can be done retrospectively for 2019/20 but will need to be done annually moving forward.</p> <p>The school should ensure that there are sufficient funds within the school account to meet committed expenditure. There are budget monitoring reports and cash flow which should support the school to achieve this.</p> <p>The steps identified by the school to prevent the school account being overdrawn again should be implemented.</p>	<p>The Final Budget was presented to the Full Governing body for approval as changes were made post Finance Committee meeting. The Chair of Governors will be asked to sign the 2019/20 Budget and all budget reports going forward</p> <p>The overdraft was exceptional, and the School was due funds from the Government to fully fund the increase in employers' contributions for Teachers pensions that had been implemented in September. The Finance Manager wrote to LB Bromley's Director of Education in September 2019 to raise concerns that this was unsustainable and query when the funds would be received. The monthly cost for St Olaves is £20,000 and the funds were not received until November.</p> <p>All staff are requested to raise purchase orders. Training is ongoing and Staff are constantly reminded of the requirement to raise PO's and inform FM of any changes in costs for projects.</p> <p>The School will report the Total Foundation Grant alongside the budget</p>	<p>Updates to the audit Sub Committee in November 2020 and March 2021 reported the progress to implement all elements of this priority 1 recommendation.</p> <p>The 2020/21 final budget was signed by Chair of Governors, the Income and Expenditure report dated 30.9.20 confirmed a balanced budget with £250K reserves. The school have improved the processes to control and manage cash flow, the brief overdrawn incident in October 2019 was an isolated event and the drawdown of funds from the Foundation has been formalised with an e-mail trail to support requests; The minutes of the Finance Committee for the 21<sup>st</sup> October 2020 evidence that the Management Accounts, for the period up to 30<sup>th</sup> September, were supported by the detailed schedules and the summary, as requested by Internal Audit.</p> <p>The Head of Finance presented a comprehensive Management Reporting document to the Finance Committee on the 10<sup>th</sup> February 2021. This document clearly sets out financial priorities for 2021, analyses the latest Income &amp; Expenditure report, updates on the four capital projects, shows the current Voluntary Fund balances, shares the objective to integrate school strategy and long term financial planning, reports on current reserves and funding streams, fund raising initiatives and the school's response to the Internal Audit recommendations.</p>	Implemented

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No	Recommendation (Internal Audit report February 2020) Priority Rating	Management comment Responsibility and Time Scale	Follow-up comments	Status
	<p>The school should consider including the total Foundation grant in the budget rather than drawing down values during the year.</p> <p>The management report to Governors should highlight all areas of interest including overspent or projected overspent expenditure codes.</p> <p>The school should consider the roles and responsibilities within the Finance function to ensure business continuity and an adequate resilience in case of staff absence.</p> <p><b>Priority 1</b></p>	<p>in the Management Accounts presented to Governors</p> <p>A schedule for drawdown was agreed with the Foundation giving the month of drawdown, this has now been amended to include the date of the month for payment.</p> <p>The Foundation has transferred the £250,000. The School will give consideration to drawing across the historical funds still held by the Foundation and the annual grant income at the beginning of each financial year.</p> <p>Roles and responsibilities will be addressed. Staff to be trained in some aspects of FM &amp; SBM roles to ensure Business continuity.</p> <p>The Management Accounts report to Finance Committee will be confirmed with the Chair of the Finance Committee in terms of presentation to ensure that it enables Governors to strategically monitor the Schools finances. Reporting levels for variances either in monetary terms of percentage to report on to be agreed with Finance Committee.</p>		

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No	Recommendation (Internal Audit report February 2020) Priority Rating	Management comment Responsibility and Time Scale	Follow-up comments	Status
		<p>Training and procedure notes completed to ensure staff are aware of where all documentation is kept and how to interpret it.</p> <p><b>Responsibility and timescale</b> H/T and Finance Manager – Immediate and ongoing</p>		
7	<p><b>Control Accounts</b> Aged debtors and aged creditors reports assigned to an officer should be annotated to show any investigation and remedial action and then signed off to evidence completion.</p> <p><b>Priority 3</b></p>	<p>Aged Creditors and Aged Debtor reports form part of the existing month end procedure. Evidence of remedial action will be retained and signed off by PLC &amp; FM.</p> <p>Finance Manager and Purchase Ledger Clerk – Immediate</p>	<p>The aged Creditor report was evidenced as at 8.12.20 with 3 invoices exceeding 31 days, annotated explanation for 1/3 invoices signed off by the FM. Aged Creditor report for January 2021 was evidenced and satisfactorily signed off by appropriate officers.</p> <p>The aged Debtors report was evidenced for 8.12.20. Two invoices &gt; 91 days but related to lettings that did not take place due to COVID. FM had requested system support to cancel the invoices on the system which has now been completed.</p>	Implemented

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No	Recommendation (Internal Audit report February 2020) Priority Rating	Management comment Responsibility and Time Scale	Follow-up comments	Status
8	<p><b>Petty Cash</b></p> <p>All expenditure whether paid as a cheque request, petty cash or credit card transaction should be supported by authorised documentation prior to payment.</p> <p>Finance staff to be reminded that the checks performed on claim forms and request for payment forms are a control in the expenditure process</p> <p><b>Priority 2</b></p>	<p>Staff to be reminded of the requirement for proper authorisation of claims and the Purchase Ledger Clerk to be reminded to reject claims that are not correctly authorised.</p> <p>HT/FM/PLC/All Staff - Immediate</p>	<p>The FM confirmed that there had been limited use of petty cash during the past year given the periods of school closure. The petty cash claim for January to March 2021, value £89.15, was satisfactorily reviewed. Two transactions selected were supported by authorised documentation.</p>	Implemented
9	<p><b>Procurement Card</b></p> <p>The supporting documentation retained should be an adequate audit trail of any action taken on the procurement card account.</p> <p>In this case the e-mail trail that evidenced the cancellation and the original request for finance should be annotated to show why corrective action was required</p> <p><b>Priority 3</b></p>	<p>Finance staff to be reminded that they need to write adequate notes on paperwork to provide a clear explanation of action taken and a clear audit trail.</p> <p>Finance Staff - Immediate</p>	<p>The FM confirmed that there had been an increased use of the purchase card due to a change in working practices during COVID.</p> <p>The original recommendation related to an adequate audit trail to support cancellation. The FM confirmed that this had been addressed as a training issue and the officer responsible now noting all cancellations to achieve an adequate audit trail. Statement date 16.12.20 evidenced and the supporting documentation for the cancelled item on that statement.</p>	Implemented

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No	Recommendation (Internal Audit report February 2020) Priority Rating	Management comment Responsibility and Time Scale	Follow-up comments	Status
10	<p><b>Income</b></p> <p>The invoices are raised on FMS; a summary sheet should be retained to show all invoices raised and the status. The summary document can then be available to Finance staff to allow continuity</p> <p><b>Priority 2</b></p>	<p>The school processes 15 to 20 sales invoices a year. A summary sheet will be retained, and copies of bank statements filed to prove receipt of payment with all invoices.</p> <p>Finance Manager – Immediate</p>	<p>The FM evidenced a summary statement for 2020/21 to show two invoices raised and income collected.</p> <p>Both receipts satisfactorily checked to the bank statement.</p>	Implemented
11	<p><b>Pecuniary Interest</b></p> <p>The school should ensure that a copy of the pecuniary interest forms, completed by Governors is held at the school.</p> <p><b>Priority 3</b></p>	<p>The Foundations Clerk to the Governors to be contacted and a request made to ensure that pecuniary interest forms are complete and signed for any new Governor who starts after the annual exercise in September.</p> <p>H/T, Clerk to the Governors – Immediate</p>	<p>The original recommendation related to the appointment of new governors, completion of a pecuniary interest form prior to their first meeting and for the school to hold a copy of these forms.</p> <p>Internal audit contacted the Clerk to Governors by e-mail on the 31.3.21 and requested confirmation that all governors had completed the pecuniary interest forms at the start of the Autumn Term and where these forms are held. Clerk to the Governors confirmed by e-mail that 1 governor has not signed a pecuniary interest form and that all forms are held at the school.</p> <p>The Clerk to the Governors has confirmed by e-mail to the FM, that signed the forms are available on the school site but there is one Governor declaration still to be signed.</p>	Outstanding

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12	<p><b>Cyber Security</b></p> <p>The school should evidence the self-assessment completed by the IT provider and evidence the remedial action taken.</p> <p>Arrangements with the new IT provider should be confirmed as defined by the cyber security assessment.</p> <p>The school are responsible for cyber security and should therefore lead on the self-assessment and own the findings and remedial action.</p> <p><b>Priority 2</b></p>	<p>This questionnaire had been completed by the Schools former ICT provider, but the evidence is unavailable. The School will take the lead on completing the questionnaire with assistance from the new ICT contractor and evidence of any remedial actions required retained. In February 2019 the School took out an insurance policy for Cyber Security</p> <p>H/T – Immediate</p>	<p>This has not been completed although cyber security has been added to the risk register. The IT contractor will be asked to complete the questionnaire although it should be noted that the school are responsible for the risk that cyber security poses and therefore must evidence ownership.</p>	Outstanding

APPENDIX A					
No	Finding	Risk	Recommendation and Priority* Raised in previous Audit	Management Response	Agreed Timescale and responsible manager
13	<p><b>Expenditure (New Rec)</b></p> <p>A sample of 10 payments was selected from the bank history report. The main issues have been set out in finding 1 above but in summary: -</p> <ul style="list-style-type: none"> <li>• Purchase Order to be raised in all cases unless expenditure is exempt an order as per Financial Regulations</li> <li>• IR35 Online assessment to be completed</li> <li>• A comprehensive audit trail to document key decisions with regard to procurement</li> <li>• Inclusion of the VAT registration number should be checked on all invoices before payment</li> <li>• Evidence compliance to Public sector Procurement guidelines and Contract Procedures Rules for the procurement and project</li> </ul>	<p>Payments may not be made in compliance with Financial Regulations and the School's own procedures</p> <p>HMRC penalties for noncompliance to IR35 regulations.</p> <p>Challenge from contractors following unsuccessful tender submission for work.</p>	<p>The school should raise Purchase Orders to support expenditure.</p> <p>Payment to a named individual should be only actioned when there is no alternative. The online assessment should be completed to support a self-employed status. With effect from April 2021 this statement must be shared with the individual.</p> <p>The VAT Registration should be evidenced on all invoices before payment.</p> <p>All procurement decisions should be retained in a format and filed in a shared area to allow an adequate audit trail.</p> <p>The school should define the roles and responsibilities for the procurement process and contract management. All officers should be aware of their role and responsibility, clarify ownership and establish access to key information for all appropriate officers (premises and finance).</p>	<p>VAT registration number must be highlighted on all invoices prior to payment</p> <p>Head of Finance and Premises manager to meet and document roles and responsibilities of the procurement process and contract management</p> <p>Premises and Finance manager to meet and implement a shared file.</p>	<p><b>Implemented</b></p> <p>July 2021 Head of Finance/ Premises Manager</p> <p>July 2021 Head of Finance/ Premises Manager</p>

APPENDIX A					
No	Finding	Risk	Recommendation and Priority* Raised in previous Audit	Management Response	Agreed Timescale and responsible manager
	<p>management of one-off schemes.</p> <ul style="list-style-type: none"> <li>The project checklist and documentation should support the procurement, project management, financials, and approvals for all one-off projects.</li> </ul> <p>The impact of COVID and the challenges of lockdown are acknowledged however the findings above should be considered to ensure that the controls for the expenditure process are met.</p>		<p>The school should evidence compliance to Public Sector Procurement guidelines. It is acknowledged that since the change in personnel the school have sought guidance from the Council's Procurement Manager and have taken steps to review professional project management and financial assessment to ensure value for money, compliance and mitigate any risk to the school whilst undertaking these large one off projects.</p> <p>The school should complete the project checklist and maintain the project folder as planned, including all supporting documentation, decisions and approval.</p> <div style="text-align: center; border: 1px solid black; background-color: yellow; padding: 2px; width: fit-content; margin: 0 auto;">Priority 2</div>	<p>We conducted a Lessons Learned review of the Fives project from this we have implemented a detailed financial risk assessment by a specialised finance provider. This will be conducted on all future capital projects along with references sought. We will also continue to do a lesson learned review on all future major projects.</p> <p>Project checklists are in place for all projects.</p>	<p>Implemented June 2020 Premises Manager</p> <p>Implemented June 2020 Premises Manager</p>

APPENDIX A					
No	Finding	Risk	Recommendation and Priority* Raised in previous Audit	Management Response	Agreed Timescale and responsible manager
3	<p><b>Asset Register (Re Rec)</b></p> <p>The asset register for IT equipment was kept by the IT contractor. The school do not have access to this record and the Head Teacher has not signed off the complete register as per Financial Regulations. The FM confirmed that she had been sent a copy last year but there is no process to reconcile asset versions, check movement off the registers or to give any assurance that the register is complete. Given the IT contractor will be out of contract on the 31/12/19 this is an increased risk to the safeguarding of assets. The school were advised at the end of audit meeting on the 18<sup>th</sup> December that the asset register and associated risks be considered as part of the exit plan.</p>	<p>The Financial Regulations requirement for the Head teacher to certify the asset register annually may not be achieved</p> <p>Assets lost or stolen may not be easily identified.</p>	<p>The arrangements to maintain the IT asset register should be confirmed with the new IT provider. The handover and exit arrangements with the outgoing IT provider should be evidenced.</p> <p>The school should ensure that the purchase of any new IT equipment is uploaded to the asset register and any write off or disposal duly certified by the school.</p> <p>A sample stock take should be undertaken, independent of the IT provider and a copy of the IT asset register should be printed off annually for the Head Teacher to certify that all assets are accounted for.</p> <div style="text-align: center; border: 1px solid black; background-color: yellow; padding: 2px; width: fit-content; margin: 10px auto;">Priority 2*</div>	<p>Fixed Asset register is now complete as of 14/05/21</p>	<p><b>This has been completed</b> <b>- Head of Finance</b></p>

					APPENDIX A
No	Finding	Risk	Recommendation and Priority* Raised in previous Audit	Management Response	Agreed Timescale and responsible manager
12	<p><b>Cyber Security (Re Rec)</b> During the previous audit a cyber security self-assessment questionnaire was left with the school to complete.</p> <p>The SBM confirmed that this had been passed to the previous IT provider and that their Network Manager had been instructed to take the required remedial action</p>	<p>The school may have inadequate arrangements in place to prevent cyber security attacks resulting in a loss of data and associated cost and GDPR penalty for any data breach</p>	<p>The school should evidence the self-assessment completed by the previous IT contractor and evidence the remedial action taken.</p> <p>Arrangements with the new IT provider should be confirmed as defined by the cyber security assessment.</p> <p>The school are responsible for cyber security and should therefore lead on the self-assessment and own the findings and remedial action.</p> <div style="text-align: center; margin-top: 20px;">  </div>	<p>The school recognizes the threat posed by a potential cyber-attack and have engaged with the IT contractor regarding potential data backup and recovery solutions. The school's overall response to this threat will be the next IT project for the school's ICT leads, the Head of Finance and the teacher with IT responsibilities.</p>	<p><b>By Autumn Term: Head Teacher and Gov responsible for ICT - SB</b></p>

					APPENDIX A
No	Finding	Risk	Recommendation and Priority* Raised in previous Audit	Management Response	Agreed Timescale and responsible manager
11	<p><b>Pecuniary Interest (Re Rec)</b></p> <p>Declaration of interest forms for the Governors are now held at the school however a check on all forms available identified that no signed declarations were available for three new Governors who had started in the Autumn Term but had already attended Committee Meetings.</p>	<p>Governors with financial responsibilities may be involved in making financial and/or business decisions relating to organisations which they have a pecuniary interest without the school knowing.</p>	<p>The school should ensure that a copy of the pecuniary interest forms, completed by Governors is held at the school.</p> <div style="text-align: center; margin-top: 20px;">  <p>Priority 3*</p> </div>	<p>The Clerk to the Governors confirmed that the remaining Governor declaration has now been signed and sent to the school as of May 13th</p>	<p><b>Completed: Head teacher</b></p>

**APPENDIX B - Assurance Level**

<b>Assurance Level</b>	<b>Definition</b>
<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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**

<b>Risk rating</b>	<b>Definition</b>
Page 24 	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.
	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.
	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.



**INTERNAL AUDIT FINAL REPORT**

**CHIEF EXECUTIVES**

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS**

**Issued to:** Emma Downie, Head of HR Business, System & Reward  
Vinit Shukle, Assistant Director & SIRO, IT services  
Sarah Foster, Assistant Director, Performance Management and Business Support, EPP

**C.c.** Charles Obazuaye, Director of HR and Customer Services  
Mark Bowen, Director of Corporate Services  
Ade Adetosoye OBE, Chief Executive (Final Report only)

**Prepared by:** Principal Auditor

**Reviewed by:** Head of Audit and Assurance

**Date of Issue:** 5 May 2021

**Report No.:** FUP1/03/2021

## FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21

### INTRODUCTION

1. The review of Starters and Leavers was part of the 2018-19 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The Final Report, issued on the 30<sup>th</sup> September 2019 identified one priority 1 finding, four priority 2 findings and one priority 3 finding. The audit opinion was limited assurance. One of the priority 2 recommendations related to the induction checklist for starters, the remaining recommendations all related to the leavers process; for all appropriate departments to be notified when an officer was leaving the Authority (Priority 1), removing system access, termination of the security pass, revision to the leavers procedures to reflect current practices (Priority 2's) and completion and retention of the leavers checklist (Priority 3).
2. The findings identified during the 2019 audit review would collectively be remedied if managers complied with the agreed leavers procedures. Management response to the recommendations and specifically the priority 1 finding, set out an IT solution which would comprise a single online movement form as part of the new version of SharePoint to be rolled out in 2020. This form will allow all interested parties and relevant departments to be notified that an officer is leaving the Authority. The primary recipients would be HR, Payroll and IT but there is also a need for Facilities Management (security pass and parking) and the Exchequer Services Contractor (purchase card and Accounts Payable - authorised signatories) to also be informed.
3. The priority 1 recommendation has been followed up for each cycle of the Audit Sub Committee. The update to committee considered progress to implement the SharePoint online form but also completed sample testing of leavers for compliance with the current procedures and primarily to evidence that the system access has been disabled. For the November 2020 and March 2021 updates the sample testing was extended to the collection of LBB equipment and recovery of security passes. During this audit testing there have been areas of concern identified that fell outside the scope of a priority 1 follow up for committee but need to be reported and considered by management. The purpose of this follow up report is to highlight those areas of concern.
4. The report to the Audit Sub Committee on the 9th March 2021 set out the revised timetable to roll out the SharePoint online form in May 2021 and that audit testing identified leavers that were still active on the system. The priority 1 recommendation would therefore remain open until the June committee meeting by which time the new online form will be active and the effectiveness can be measured by audit testing.

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21**

**AUDIT OPINION**

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

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

<b>Number of recommendations by risk rating</b>		
<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
<b>0</b>	<b>4</b>	<b>0</b>

**SUMMARY OF FINDINGS**

6. The findings and recommendations raised in the Final Internal Audit report September 2019 were accepted by management. The responsibility to deliver the priority 1 recommendation was shared between the Assistant Director & SIRO, IT services for the IT solution (SharePoint online form) and the Head of HR Business Services, Systems and Rewards for the interim leavers process.
7. The first update to Audit Sub Committee was in October 2019; as with all audit reports, Members were advised of the audit opinion for Starters and Leavers, the number and rating of the recommendations and a summary of our findings. The minutes of this meeting show that Members debated the responsibility of completing the leavers form and that it should rest with the

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21**

manager and there was a suggestion that compliance to the leavers process be part of a manager's appraisal. Members were concerned that the findings posed a security risk and serious implications for the Council if leavers were left with access to LBB systems. Members concluded that as an urgent and serious matter, a referral should be made from the Audit Sub Committee elsewhere for further discussion and action and it was agreed the referral should be to the Chief Executive.

8. The update to Audit Sub Committee in February 2020 reported that the timescale for implementing the online leaving form to notify all relevant departments when an officer was due to leave the Authority had been set for the end of March 2020. There were 27 leavers (Bromley officers) for the period 1/12/2019 to 31/1/2020, audit testing identified that 11 accounts had not been disabled, the account was still active on the system after the officer had left the Authority. The details of these accounts were sent to IT for comment and confirmation that the accounts had been disabled.
9. The update to Audit Sub Committee in July 2020 concentrated on the approval of the Change Control Notice (CNN) and the start date of the 16th June 2020 to develop the online leaver forms as part of the new SharePoint initiative. Audit followed up on the 11 active accounts identified previously and established that IT would need to liaise with HR before disabling the accounts.
10. Given the results of audit testing for previous committee updates, Internal Audit extended the testing for the November 2020 Audit Sub Committee. A sample of leavers (10 agency and 10 LBB officers) was selected from a leavers report for the period April to September 2020. The target date for the online form had been put back again to the end of November 2020, it was therefore imperative that the current leavers procedures were followed in the interim. The primary objective of the audit testing was to establish if the officer's account had been disabled when they left the Authority; the IT Contractor, Operational Team confirmed the status of each account. Internal Audit checked the sample to both Outlook and Skype to establish information displayed and phoned the respective line managers to discuss how the leaving process was followed specifically the collection of laptops, LBB equipment and the security pass.
11. The results of this latest audit testing, reported to Committee, identified that managers were not completing the workforce amendment form to disable the account. Interviews with managers evidenced greater compliance to the leaver's procedures for the collection of LBB issued equipment and recovery of security passes and it was acknowledged that the current COVID pandemic did present challenges.

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21**

12. Issues arising from this testing, not included in the Committee report but to be considered by management are as follows: -
- For two of the agency leavers their line managers had not completed their work force amendment forms assuming that as the assignment had come to an end their access to the system would also end. Managers need to be reminded that if an officer is set up by your service the manager must arrange termination of that access.
  - One of the agency officers ended an assignment in Early Years and moved to a new assignment in Libraries but there was no confirmation that the access pass was changed to reflect the new role and although the officer retained access to Outlook and therefore remained “active” the access to Children specific systems should have been removed.
  - One of the LBB leavers had been on the apprenticeship scheme. The service assumed that HR with their oversight of the Apprenticeship scheme would complete the work force amendment when the placement ended. Managers need to be reminded of their responsibility to complete the leavers process, where there is perceived overlap the service manager should confirm that process is actioned.
  - HR have issued a monthly report of LBB officers to the Exchequer Services Contractor to allow the Purchase Card Team to update their records and reconcile to active cardholders and authorisers. The Purchase Card Team share this information with colleagues in the Accounts Payable Team in respect of the authorised signatures list. The list of agency leavers is not distributed to the Exchequer Services Contractor, given that only LBB officers can hold a purchasing card however, agency staff can be authorising officers so there is a potential gap in information available to Accounts Payable.
13. Following discussion at CLT on the 20/10/20 the Chief Executive directed that a list of all leavers be sent to each Directorate and advised that the leavers process must be completed by 23/10/20; IT would disable all accounts still active for leavers after this deadline. This exercise did prompt significant activity to review and close accounts particularly those that had remained open at the request of the line manager.
14. The Head of Audit and Assurance presented an update to the Managers Briefing on the 4<sup>th</sup> February 2021 to outline the need for all managers to comply to the leavers process and alert managers to the audit testing that would be completed prior to the Audit Sub Committee in March 2021.

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21**

15. For the update to the March 2021 Audit Sub Committee where 5 agency and 5 LBB leavers were subject to repeat testing which was still not fully compliant, other issues arose from this testing which was not included in committee report, as it had not yet been reported to Management for comment and factual accuracy established. The issues are as follows: -
- For one LBB leaver the account had been left as active to allow business continuity. The leaver was the only officer who had access to an old legacy system that is still used. The team were using the username and password of their former colleague whilst IT seek to resolve access. Active status for this leaver is not an oversight but the principle of sharing a username and password does mitigate access controls.
  - One agency officer had sadly passed away in January 2021, the responsible line manager should have completed the leavers process but this officer (agency) left the Authority with a weeks' notice and had not completed the workforce amendment. It is acknowledged that the recovery and collection of LBB equipment will need to be completed sensitively and safely. Although not part of the audit sample, it was noted that the line manager (agency) had not been removed from the system and access was still active. The Head of Service had kept this account open as the individual was still assisting the service on specific tasks. This individual has no contractual arrangement for the period after the termination of service date, i.e. they were not on the Council's payroll or an open agency assignment. The Authority's liability for this individual acting on behalf of the Authority during this period outside of any employment contract should be considered.
  - For two of the agency leavers the end date shown on the agency report (leavers December 2020 and January 2021) showed an end date of 23/12/20 and 25/12/20 but their actual leaving dates were May and July 2020 respectively. Neither line managers were aware that the end date in the report had been set in December. This gives rise to two issues for consideration; firstly does an "open" assignment pose any risk with regard to payment of the weekly invoice and secondly, is the information shown on the report overinflated by "open assignments" that are not matched to agency officers in post.
  - The "phone round" to managers identified a mixed response to the recovery and storage/destruction of security passes. In one example a service team used WhatsApp video to evidence an officer destroying their security pass; managers have recovered passes on site as part of the LBB equipment recovery and as reported to Committee in some instances the security pass has not been recovered or the manager cannot recall collecting the pass. It is acknowledged that home working has challenged routine procedures such as collecting in passes, but it is important to remind managers of their responsibility to recover and secure them. A security pass used by unauthorised personnel poses a risk to

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21**

identity fraud and could be used to falsely impersonate a Bromley officer to gain access to property, business or private dwelling.

- For both the November and February testing the information displayed on Outlook as an Out of Office varied. At best the Out of Office message gave an end of service date and a referral to a substitute officer, in other circumstances the email address looks “live”. With remote working it is helpful that the information such as Outlook is as up to date as possible. Managers should ensure that as part of the leaving process the officer sets up an Out of Office to support business continuity. The same applies to the completion of the Work Force Amendment form to ensure the manager assigns access to the Inbox or the OneDrive to an appropriate officer for an appropriate time period to allow business continuity.
- For one LBB officer the line manager role was effectively shared and therefore when the officer left both assumed the other had completed the workforce amendment. This is an issue for all teams to assign responsibility for set up and leaving processes to ensure the leavers checklist is completed.

16. At the Audit Sub Committee meeting on the 9/03/2021, Members expressed their concern that the Priority 1 recommendation relating to the leavers process had not yet been satisfactorily implemented, outstanding now since October 2019.
17. Although the Sharepoint Online form will address circulation to all appropriate departments it will still rely on managers completing the form in a timely manner.

**SUMMARY FINDINGS / MANAGEMENT ACTION PLAN**

18. 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.

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21**

**FINDINGS AND ACTION PLAN**

**APPENDIX A**

<b>1. Active Accounts Kept Open Past Leaving Date</b>	
<p><b>Finding</b></p> <p>Audit testing has shown that in two instances management have not completed the workforce amendment form to intentionally keep the account open.</p> <p>For one LBB leaver the account had been left as active to allow business continuity. The leaver was the only officer who had access to an old system but still used, the team were using the username and password of their former colleague whilst IT seek to resolve access.</p> <p>For one line manager (agency) who had left the Authority on short notice, the Head of Service had kept the account open as the individual was still assisting the service on specific tasks. This individual has no contractual arrangement for the period after the end date, he was not on our payroll or an open agency assignment.</p> <p><b>Risk</b></p> <p>Active accounts may be accessed and used for unauthorised activity. Accountability is lost when generic username and password are used to access a system. The Authority is held to account for the actions of an individual not in a contractual arrangement.</p>	
<p><b><u>Recommendation</u></b></p> <p>The leavers process should be followed in all circumstances. Deviation from the agreed procedure should be considered on a case by case basis and approved at the appropriate level. The principle of sharing a username and password mitigates access controls and should be reviewed.</p> <p>The practice to retain officers outside of any contractual arrangement (employee or agency) to undertake Council business should be reviewed.</p>	<p><b><u>Rating</u></b></p> <div style="border: 1px solid black; background-color: yellow; padding: 5px; text-align: center; width: fit-content; margin: 10px auto;"> <b>Priority 2</b> </div>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>A Leavers Action Plan has been developed in March 2021 with support from all Chief Officers and implementation has commenced. An action on this plan is to ensure all leavers are disabled from the IT system on their leaving date. The Assistant Director of IT has implemented a process to ensure that all Leavers that have had a Leavers form completed have been disabled and this will be the case moving forward. For those with no Leavers form (who may for example be third parties or agency staff), a separate process has commenced at the start of April 2021 whereby lists supplied by HR will be checked for Leavers and IT will then disable those accounts.</p>	<p><b><u>Agreed timescale</u></b></p> <p>Process is already in place at the end of April 2021</p>

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21**

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**APPENDIX A**

Any outstanding Leavers will be disabled by the end of April and then on an ongoing basis through cross checks of these third party and agency staff lists provided by HR.

There should be no occasions where someone is working outside of normal contractual arrangements e.g. LBB employee, agency worker etc and any instances identified would be addressed with the line manager responsible.

If any deviation was required from the approved leavers procedure, this should be considered and approved by the Director or the Assistant Director, following consultation with IT or and HR for appropriate advice.

Accountable Manager: Assistant Director & SIRO, IT services and Head of HR Business, System &Reward

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21**

**FINDINGS AND ACTION PLAN**

**APPENDIX A**

2. Agency Engagements Open Past Leaving Date	
<p><b><u>Finding</u></b></p> <p>For two agency workers included in the March 2021 ASC sample testing, the end dates of 23/12/20 and 25/12/20, shown on the agency leavers report should have been May and July 2020 respectively, confirmed by the line manager when the officers left the Authority. A “live” assignment could allow the opportunity for timesheets and costs to be allocated to that engagement. Reports generated from the agency system to show current assignments, i.e. with no end date, will be over inflated.</p> <p>For two agency workers included in the November 2020 sample, the line managers assumed that the access to the system would be disabled when the assignment ended. Managers were not aware that it was their responsibility to complete a workforce amendment to instruct IT to disable the account.</p> <p><b><u>Risk</u></b></p> <p>Costs may be incurred against an open assignment and management information is inaccurate</p>	
<p><b><u>Recommendation</u></b></p> <p>Managers should ensure that the agency assignment is ended when the officer leaves the Authority and complete a workforce amendment form as part of the leavers process.</p> <p>Consider a second line of defence check by HR on the agency system to identify open assignments with no hours claimed or payments made; managers to verify the officer status.</p>	<p><b><u>Rating</u></b></p> <div style="border: 1px solid black; background-color: yellow; padding: 5px; text-align: center; width: fit-content; margin: 0 auto;"> <p><b>Priority 2</b></p> </div>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>As part of the Leavers Action Plan implemented in March 2021, HR will be responsible for writing a Leavers Policy and associated Procedure to ensure that managers’ responsibilities are clearly outlined (including with respect to agency staff and the agencies that are permitted to be used) and that the resulting disciplinary measures associated with non-compliance are clearly set out. As at 8<sup>th</sup> April 2021, a first draft of the Leavers procedure has been written. Training is being delivered by HR on the new agency for managers responsible for appointing agency staff. HR will be producing lists for IT of agency staff no longer actively working for LBB to enable IT to disable their accounts and access to data. However, any agency staff appointed outside of the usual systems (engaged directly</p>	<p><b><u>Agreed timescale</u></b></p> <p>End of June 2021 for procedures to be fully implemented.</p>

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21**

**FINDINGS AND ACTION PLAN**

**APPENDIX A**

through a business case) will not be captured through this standard report (i.e. they will not show up on HR systems or the Agency system list).  
HR will therefore ensure that the new Policy and Procedure documents reflect that it is the responsibility of the hiring manager to ensure that anyone appointed outside of the usual agency route is removed from the system upon leaving. This should only apply to those appointed outside of IR35 via a business case to the Director of HR and Director of Finance.

Accountable Manager: Head of HR Business, System & Reward

**3. Leavers Procedures – Advice and Guidance**

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21**

**FINDINGS AND ACTION PLAN**

**APPENDIX A**

<p><b><u>Finding</u></b></p> <p>For both the November and February sample testing the “phone round” to line managers identified several areas where advice, additional to the leaver’s procedures set out in the managers toolkit would be helpful. There would also be benefit in setting out advice for interim arrangements as necessitated by the restrictions imposed by COVID 19. Issues were arising as follows: -</p> <ul style="list-style-type: none"> <li>• Collection of ID, LBB equipment and laptop for officers who are working remotely – managers to consider courier collection or if delegated to another officer how this is documented and recorded to ensure compliance and completion of the task</li> <li>• Collection of equipment from a colleague who has had a positive COVID result and sensitivity around death in service</li> <li>• The need to account for and secure LBB security passes including the return to Facilities Management or the destruction of the card.</li> <li>• Officers moving Directorates but retaining access to service specific system which may not be appropriate in their new role.</li> </ul> <p><b><u>Risk</u></b></p> <p>Loss of LBB equipment; ID passes being unaccounted for and if lost potential misuse by unauthorised personnel to impersonate a Council employee. Unauthorised access to LBB service systems not appropriate to the officer role and responsibility.</p>	
<p><b><u>Recommendation</u></b></p> <p>Managers to be updated via newsletter or cascade communication of good practice around the leavers process. Contact details for any case by case enquiries that may require more sensitive handling and HR support.</p>	<p><b><u>Rating</u></b></p> <p style="text-align: center;"><b>Priority 2</b></p>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>As per the Leavers Action Plan initiated in March 2021, HR will be developing a new policy and procedure for Leavers which details the exact steps needed to be taken by managers, leavers, HR and IT. This includes the requirement for line managers to obtain any equipment and security passes from the Leaver.</p> <p>The equipment will be recorded in the Sharepoint Leavers form (assets expected back) and on the HR system (assets returned). The new Leavers checklist documenting assets returned will be submitted by the Line Manager and must correspond to the Leavers form. A central register of IT assets is held and any local departmental assets will now be aligned to the central list. An ICT amnesty will be held within each department during 21/22 to ensure any redundant or spare equipment held locally is returned for redeployment or sale. IT will ensure all departmental asset registers are then merged with the central register. Security passes returned will be held by the Post</p>	<p><b><u>Agreed timescale</u></b></p> <p>End of June 2021</p>

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21**

**FINDINGS AND ACTION PLAN**

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Room and will be recorded on a register. Returned passes have a small financial value to the organisation, so in addition to the avoidance of a security risk, there is a financial benefit to repurposing the card.

Accountable Manager: Assistant Director & SIRO, IT services

**4. Business Continuity and Service Delivery**

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21**

**FINDINGS AND ACTION PLAN**

**APPENDIX A**

<p><b><u>Finding</u></b></p> <p>The audit testing looked at the officer status on both Skype and Outlook. There was no standard approach to an out of office statement. In some instances, the leaver had declared a leaving date and an alternative contact but at the other end of the scale the leaver looked to still be current. Internal Audit was looking at the internal facing out of office message, the external facing message is also important as to how the Council presents itself to external parties. In all cases the manager should consider the business continuity needs of the service and assign accordingly.</p> <p>Similarly, the workforce amendment allows the authorising manager options to reassign the leavers Outlook account or personal drive to alternative officers for a predetermined time to allow business continuity and service delivery.</p> <p><b><u>Risk</u></b></p> <p>Service delivery is disrupted as officers leave the Authority and inadequate handover and referral information is posted to colleagues and external parties.</p>	
<p><b><u>Recommendation</u></b></p> <p>Managers should consider the handover arrangements when an officer leaves the Council. This should include the out of office notification and assignment of Outlook to an appropriate substitute to ensure effective business continuity and service delivery.</p>	<p><b><u>Rating</u></b></p> <p style="text-align: center;"><b>Priority 2</b></p>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>As part of the Leavers Action Plan, the Information Governance team will be developing a policy and associated procedures around the storage and transfer of data when someone leaves the organisation. The IT programme of moving from Sharepoint 2007 to Sharepoint Online has commenced as has the associated training for information asset owners. The policy will set out the responsibilities of a manager with respect to ensuring a sufficient data handover with a leaver so that any key service information is saved in the appropriate place before the leaver departs. This will in future avoid the need for the retention of personal drives by a manager. Workforce amendment forms will indicate that the retention of access to personal drives and emails will not be standard and it is the responsibility of the manager to ensure data from the leaver is moved as appropriate. Permission may be granted through a head of Service or above to retain access in exceptional circumstances. In terms of an out of office, all key service contacts should be informed as part of the handover process of who should be contacted once the leaver has gone. A standard template for the recording of handover information is being developed by HR with associated training, to ensure that this is all progressed during the notice period. It can take up to 5 days</p>	<p><b><u>Agreed timescale</u></b></p> <p>End of June 2021</p>

**FOLLOW UP REVIEW OF THE LEAVERS PROCESS 2020/21**

**FINDINGS AND ACTION PLAN**

**APPENDIX A**

<p>for a leaver to be removed from the system, so as long as plenty of notice has been given to disable the account and the correct handover has taken place, an out of office should not be needed. In the case of swift departures without notice, an out of office should be put on the account until it is disabled which should be no later than 5 days following.</p>	
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Accountable Manager: Assistant Director & SIRO, IT services

**OPINION DEFINITIONS**

**Assurance Level**

<b>Assurance Level</b>	<b>Definition</b>
<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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**

<b>Risk rating</b>	<b>Definition</b>
<b>Priority 1</b>	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.
<b>Priority 2</b>	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.



## INTERNAL AUDIT FINAL REPORT CHILDREN'S SOCIAL CARE

### INTERNAL AUDIT REVIEW OF THE TROUBLED FAMILIES CLAIM FOR THE PERIOD 1 OCTOBER 2020 TO 31 MARCH 2021

**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  
Head of Audit and Assurance

**Prepared by:** Trainee Auditor

**Reviewed by:** Principal Auditor

**Date of Issue:** 27 April 2021

**Audit ref:** PEO/08/2020

## INTRODUCTION

1. This report sets out the results of our audit testing of a sample of individual claims for the claim period between 1 October 2020 and 31 March 2021.
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 31 March 2021. This was to ensure continuity of testing from the previous claim period.

## METHODOLOGY

4. There were 215 individual claims closed between 1 October 2020 and 31 March 2021 and our sample for checking consisted of 22 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
<b>The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met</b>

## 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.
6. We also checked to confirm that the families in our sample had not been claimed for previously and we identified a claim which had been submitted before, in September 2019. This was notified to the Intelligence & Operations Lead, who removed the claim from the list and added another claim which had been closed and set aside to be claimed for in the next reporting

period. Therefore, the total number of individual claims submitted to MHCLG between the period 1 October 2020 and 31 March 2021 remained at 215.

7. Our previous audit work has confirmed that the Early Intervention Team have arrangements in place to identify any claims which have been made previously, prior to submission. On this occasion however, the incorrect submission resulted from a human error. At our request, they have completed further checks on the batch of claims submitted. They found no evidence of any further duplicate claims, are confident that they have robust systems in place and will continue to be vigilant going forward.
8. With effect from 1 April 2021, the Troubled Families Programme (now renamed as the Supporting Families Programme) allows for 're-claiming' if certain requirements are met. Families must not have been claimed for within the last two years and must have been in active receipt of services since April 2020.
9. We verified that the total amount claimed for payment by results for the 215 individual claims submitted between the period 1 October 2020 and 31 March 2021 was £172,000. As a result of our testing there are no recommendations arising from this review.
10. Finally, we would like to thank everyone contacted during this review for their help and co-operation.

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INTERNAL AUDIT FINAL REPORT  
CHIEF EXECUTIVE'S

INTERNAL AUDIT REVIEW OF THE COVID-19 CLAIM PROCESS  
FOR THE LOCAL DISCRETIONARY GRANT SCHEME

**Issued to:** Peter Turner, Director of Finance  
Sara Bowrey, Director of Housing, Planning, Property and Regeneration  
Claudine Douglas-Brown, Assistant Director, Exchequer Services  
Hannah Jackson, Assistant Director, Special Projects

**Prepared by:** Principal Auditors

**Reviewed by:** Head of Audit and Assurance

**Date of Issue:** 26 May 2021

**INTRODUCTION AND SCOPE**

1. In response to Covid-19, the Government announced there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors, delivered through the Small Business Grant Fund and the Retail, Leisure and Hospitality Grant Fund. An additional fund aimed at small businesses who were not eligible for the Small Business Grant Fund, the Retail, Leisure and Hospitality Fund or other forms of support, called the Local Authority Discretionary Grants Fund, was launched in May 2020.
2. This was delivered through payments made to businesses via the Council. Bromley Council received £52.5m to distribute of which funding of £2.4m were payments of Local Discretionary Grant made to businesses. This report sets out our review of the controls put in place by Housing, Planning & Regeneration Directorate, Finance Directorate, and the Council's Exchequer Contractor for the Local Authority Discretionary Grant Fund process.
3. In line with the eligibility criteria set by the government, businesses that were eligible for cash grants from any central government COVID-19 related scheme were ineligible for funding from the Discretionary Grants Fund. However, businesses that were eligible for the Self-Employment Income Support Scheme or Coronavirus Job Retention Scheme could receive grants under the Local Authority Discretionary Grants Fund. Additionally, only businesses that were trading on 11 March 2020 were eligible for this scheme. Businesses that were in administration, were insolvent or where a striking-off notice had been made were not eligible for funding under this scheme.
4. The Local Discretionary Grant fund was aimed primarily at businesses in shared spaces and with significant fixed property costs, however Local Authorities were given the discretion to prioritise businesses depending on their local economy and to determine which businesses fit their locally-established criteria.
5. Our Assurance Rating in paragraph 9 below relates to the effectiveness of the controls operated by the Council's Exchequer Contractor and Housing, Planning & Regeneration Directorate. Advice from the Internal Audit Standards Advisory Board on conformance with the Public Sector Internal Audit Standards during the Coronavirus pandemic states that Internal Audit can protect organisational value by:
  - Helping Management find new ways of working
  - Providing real-time advice and insight into the development of new systems and controls (for example when the organisation had to implement a new and urgent government policy)
  - Providing real-time assurance to management and the Audit Sub-Committee on actions and decisions being made.

6. On announcement of the financial support schemes, we were consulted by and worked closely with the Housing, Planning & Regeneration Directorate and the Council's Exchequer Contractor advising on the risks and controls to mitigate those risks. We provided advice on interpretation of the eligibility criteria and setting up the application process including appropriate supporting evidence which should be requested for verification. We also provided support in real time on issues that were arising. We also linked with government agencies such as the Government Counter Fraud Function and the Cabinet Office to utilise anti-fraud tools and data sharing to undertake pre-payment checks and validate applicants as these tools and facilities became available. We also carried out significant post-payment assurance work, as would be expected in respect of a new system, introduced at pace, and as expected by central government given the significant public expenditure. We knew the risk of irregular payments was high and that we would not be able to stop all fraud and irregular payments. By scrutinising the payments that we made and who they went to, we could however help to reduce the loss overall to a minimum. Our ongoing work through the National Fraud initiative where we share and match data with other public sector bodies will address any residual risk.
7. A total of 178 payments were made for Local Discretionary grants, totalling £2,275,000.
8. We would like to thank everyone contacted during this review for their help and co-operation.

**AUDIT OPINION**

9. Our overall audit opinion is shown below. There are no recommendations arising from our review. Our opinion definitions and assurance level ratings are set out in Appendix B.

<b>AUDIT OPINION</b>
<b>Substantial Assurance</b>

**SUMMARY OF PRE-PAYMENT CONTROLS AND ASSURANCE WORK**

10. The Council's Exchequer Contractor produced a Risk & Controls Assessment for the grants' administration process. We reviewed this to provide additional assurance to both the Council and the Council's Exchequer Contractor. An on-line application process was set up by the Council's Exchequer Contractor to enable businesses to make a grant application. A fraud clause, clawback agreement and privacy statement were recommended to be included in the on-line application as suggested by the Government's Counter Fraud Measures Toolkit. The application form also included a clause highlighting each business' obligation to comply with

State Aid funding limits. This was also in line with Government guidance. We reviewed and advised on the information which should be requested on the application form and the supporting evidence to verify the legitimacy of the applicant.

11. To make the process as fair as possible, it was recommended that the fund was launched in advance of it being open to applications to provide businesses with advice and support on making an application. The scheme was launched on 3<sup>rd</sup> June 2020 and the Local Economy Business Grants Guidance for Applicants was made available on the Council's website. The scheme was then opened for applications on the website from 10<sup>th</sup> June 2020 to 23<sup>rd</sup> June 2020.
12. The grant funding guidance specified the following mandatory requirements of the national criteria that businesses demonstrated that they were:
  - Not eligible for or in receipt of cash grants under other government COVID-19 support schemes (excluding the Coronavirus Job Retention Scheme)
  - Trading on 11<sup>th</sup> March
  - Not in administration, insolvent or issued with a striking-off notice
  - Not in breach of State Aid rules when accepting the funding
13. The guidance also stated that funding should be primarily and predominately for businesses that are:
  - Small or micro enterprises as defined by the Companies Act 2006
  - Have ongoing and fixed property related costs
  - Can demonstrate that they have suffered a significant fall in income due to COVID-19
  - Occupy a property or part of a property with a rateable value, annual rent, or annual mortgage payment of below £51k.
14. To enable efficient processing of grant applications and to prioritise the allocation of funds within the national criteria set by the government, the following parameters were put in place, requiring businesses to demonstrate:
  - That their monthly turnover since 11<sup>th</sup> March 2020 had reduced by more than 50% on the previous year. This was to ensure that funding was directed to those businesses that have suffered the most significant impact on their income due to coronavirus.
  - That they did not have cash reserves of over a set amount depending on their turnover bracket. This was to ensure that funding was given to those businesses that could not otherwise survive the impact of coronavirus.
    - Not more than £200k for businesses with a turnover of between £1m and £2m

- Not more than £100k for businesses with a turnover of between £500k and £999k
  - Not more than £50k for businesses with a turnover of less than £500k
  - That businesses were registered, that is their main business was in the London Borough of Bromley, and trade in the London Borough of Bromley
  - That they were a private enterprise trading as self-employed, a partnership or a Limited Company.
  - Only one grant was payable per business, the amount of grant was based on the overall financial position/size of the business.
15. To further prioritise businesses, the following local eligibility criteria was also agreed to ensure that grants were distributed to best support the local economy. It was proposed that applicants must demonstrate that their business met at least two out of the five of the following local eligibility criteria:
- A minimum of 25% of their staff live in the borough. This was to recognise the business's wider contribution to the local economy as an employer of local people.
  - Their turnover was under £2m. This is in recognition that the local economy is particularly reliant on micro businesses (which make up 93% of the 15,475 businesses in the borough). Note that government guidance would allow businesses with a turnover of up to £5m to apply.
  - They have an apprenticeship and/or internship scheme which was currently active. This recognises their commitment to the long-term success of the local economy through the provision of opportunities for developing young people's skills.
  - They were a charity whose charitable objectives, as registered with the Charity Commission, directly benefited borough residents.
  - Were located (main registered office) in one the borough's Renewal Areas or a Strategic Outer London Development Centre, as defined by the borough's Local Plan as priority areas of economic development.
16. Businesses were informed that the application form must be completed by a person with the authority to make declarations on behalf of the business, such as the business owner, company director or partner. They were required to provide proof of identification which was checked by the Council's Exchequer Contractor on receipt of the application. The application process also required businesses to submit information confirming that they met the eligibility criteria and evidence relevant to their eligibility. The applications were processed as soon as they were received and in the order in which they were submitted. The applications were verified, and the documentary evidence provided was reviewed. The processing team also used 'open source' data checks to verify the details of the applicant prior to payment. Internal Audit assisted with undertaking bank detail checks on the NFI system where requested by management. These pre-payment checks enabled the Council to mitigate against the risk of a high number of fraudulent or erroneous payments being made.

17. If any further information was required from the applicant to verify the authenticity of their business, it was requested by the Council's Exchequer Contractor and reviewed. Applications from all eligible businesses were processed before determining the level of grant to be awarded. The Government allowed for grants of £25k, £10k and any amount under £10k to be administered under this scheme; the Council decided to award grants of £10k or £25k depending on the annual turnover of the business.
18. Successful applicants were contacted to confirm the amount of grant that they would receive and were required to provide further information in relation to State Aid before a grant was paid. All payments were made by BACS.
19. Unsuccessful applicants were sent an email explaining the reasons for rejection. An appeals procedure was published on the Council's website. Appeals that were received were processed as per the procedure.
20. In complex or disputed cases, advice was sought by the Council's Exchequer Contractor and Assistant Director, Special Projects from Internal Audit and, occasionally, from the counter fraud colleagues at the Greenwich Fraud Team.
21. Intelligence Alerts received from the National Anti-Fraud Network (NAFN) which provided information about emerging fraud, risks and trends were immediately shared with management. One such alert from NAFN informed us that they were aware of at least 346 attempts of corporate impersonation fraud with a total value of almost £5.7m. They provided further details of national companies targeted and email addresses used. This information was shared to enable the Council's Exchequer Contractor to check and confirm that no fraudulent or suspicious payments had been made to any of those identified. Furthermore, all properties within the Borough which (according to the Council's business rates database records) are occupied by any of the NAFN highlighted companies were put on an 'exclusion list' to help ensure that potentially fraudulent claims were not subsequently processed and paid. Further intelligence reports were received frequently, requiring further checks to be carried out.

#### **SUMMARY OF POST-PAYMENT CONTROLS AND ASSURANCE WORK**

22. We carried out post-payment checks on a sample of 141 payments using the Government's Counter Fraud Function tool for businesses which were registered at Companies House. We used open source internet information for any businesses in our sample which were not registered at Companies House or were sole traders. These checks enabled us to identify if any companies were dissolved or in liquidation on 11 March 2020, had overdue accounts or a history of insolvency and/or a different registered company number and address from that stated in their application.
23. When the results were received, we analysed them and liaised with Housing, Planning & Regeneration Directorate colleagues and the Council's Exchequer Contractor to establish any cases of fraud, error or non-compliance. Any cases identified which might be

classified as fraudulent or attempted fraud were then referred to the Greenwich Fraud Team for further analysis and possible investigation.

24. We used the National Fraud Initiative bank details validation tool to undertake pre-payment checks on the bank account details for 193 specific grant applications at the request of the Assistant Director, Special Projects. The checks were mainly undertaken to verify that the bank account details provided for grant payment belonged to the relevant business.
25. We reconciled a random sample of BACS payments made to businesses to the payment files prepared by the Council's Exchequer Contractor and Finance staff. There were no transcription or arithmetical errors and furthermore our checks have given reasonable assurance that there has been no suspicious or fraudulent activity by the Council's Exchequer Contractor or Finance officers who were involved in the payment process.

#### **MONTHLY REPORTING OF PAYMENT INFORMATION TO THE DEPARTMENT FOR BUSINESS, ENERGY AND INDUSTRIAL STRATEGY (BEIS)**

26. The Department for Business, Energy & Industrial Strategy (BEIS) has required the Council to report to them each month the number and value of business grant payments made for the Small Business Grant Scheme and the number and value of cases of fraud, error and non-compliance identified by the Council.
27. We have carried out quality assurance checks for the payment information provided by the Council's Exchequer Contractor before sending it to BEIS.

#### **FRAUD RISK ASSESSMENT AND POST PAYMENT ASSURANCE PLAN**

28. BEIS also required all Councils to complete a Fraud Risk Assessment for each of the schemes and complete a Post Payment Assurance Plan. We completed this in conjunction with the Risk and Compliance Manager at the Council's Exchequer Contractor. The purpose of the Plan was for us to set out the objectives, governance arrangements and what additional testing would be carried out to identify any further instances of fraud and non-compliance in the business grant payment process.
29. The additional testing to be carried out by the Council's Exchequer Contractor across the schemes was discussed and agreed with us in advance. Subsequently, it was quality assured by us and found to be of a high standard. We can therefore place reliance on this additional testing in respect of the Local Discretionary Grant Fund Scheme. Separately, we also carried out several different tests and found no further instances of payments which required investigation.

**NATIONAL FRAUD INITIATIVE**

30. We took part in the National Fraud Initiative (NFI) which undertook data matching based on established NFI methodologies to identify potential fraud and released results on 14<sup>th</sup> May 2021 for the Council to check in relation to:
- multiple grants paid to businesses within or between Local Authorities;
  - duplication between grant schemes where relevant; and
  - payments made to business or individuals flagged in proven fraud 'watchlist' data, where available.

**CONCLUSION**

31. The post payment assurance work and risk assessment which we have carried out has enabled us to place reliance on the effectiveness of the controls and processes put in place by the Housing, Planning & Regeneration Directorate and the Council's Exchequer Contractor for the Local Discretionary Grant claims. No cases of potential fraud relating to the Local Discretionary grant scheme were identified. The scheme has now closed.

**OPINION DEFINITIONS**  
Assurance level

**APPENDIX A**

Assurance Level	Definition
<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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
<b>Priority 1</b>	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.
<b>Priority 2</b>	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.
<b>Priority 3</b>	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**  
**EDUCATION DEPARTMENT**

**REVIEW OF POVEREST PRIMARY SCHOOL**

**Issued to:** Mrs S Weeks, Headteacher,  
Mrs A Cluett, Finance Manager  
Mrs S Tysall, Chair of Governors (final only)  
Jared Nehra, Director of Education (final only)  
Schools Finance Team (final only)

**Prepared by:** Principal Auditor  
**Reviewed by:** Head of Audit & Assurance

**Date of Issue:** 24th May 2021

**Report No.:** PEO/11/2020

## REVIEW OF POVEREST PRIMARY SCHOOL 2020/21

### INTRODUCTION

1. This report sets out the results of our audit of Poverest Primary School. 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 review was completed remotely to comply with Government Covid 19 restriction guidelines to work from home where possible. The information required for audit examination was scanned and e-mailed by the Finance Manager (FM). The standard Internal Audit Questionnaire has been revised for 2020/21 to include the impact and response to COVID-19. The questionnaire forms part of the audit review as a self-assessment. As such the questionnaire, completed by the Finance Manager was certified by the Headteacher and the Chair of Governors to give an adequate assurance that the return was representative of current working arrangements; the certification was independent of the Finance function.
3. We would like to thank all staff contacted during this review for their help and co-operation.

### AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 1<sup>st</sup> December 2020.
5. The key risks in the areas set are below were examined during the audit review: -
  - **Financial Management Information** including budget monitoring, financial reports and returns to London Borough of Bromley
  - **Primary accounting documentation** including payments, income, contracts, voluntary funds and bank reconciliations
  - **Asset control**
  - **Governance arrangements** including financial delegation, governor minutes, budget approval and business interests

REVIEW OF POVEREST PRIMARY SCHOOL 2020/21

AUDIT OPINION

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

AUDIT OPINION	
<b>Reasonable Assurance</b>	(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	5	3

SUMMARY OF FINDINGS

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7. The audit review has found evidence to conclude that the controls are in place and working well for Financial Management, Expenditure, Income, Asset Management and Information to Governors. However, the school should consider the findings summarised as follows: -

- The current authorising signatories list with specimen signatures was not available. For 1/10 payments the lowest quote was not accepted, this was due to the fact that costs, net of VAT, had not been considered. It should be remembered that VAT is recoverable so net values should be compared for quote/tender evaluation. A Declaration of Interest had not been signed at the time of award to document that a member of staff had previously worked for the contractor.

**REVIEW OF POVEREST PRIMARY SCHOOL 2020/21**

- Online HMRC questionnaires had not been completed for the 8 off payroll (IR35) payments to individuals. 4/8 payments checked had submitted a company invoice. A declaration of Interest was signed by an officer after the payment had been made to a family member.
- Procedures for the finance function to ensure business continuity and clarify roles and responsibilities were not available.
- The cash flow statement set as a budget report for 2020/21 was not available. However, it is acknowledged that the current pandemic has impacted on budgeting and financial planning. The control account for aged creditors is not routinely run.
- The contract register was a comprehensive list of all contracts and subscriptions but needed updating and completion of expiry dates for some of the contracts. The register should be reported and approved by Governors annually.
- The Lettings policy still shows the Council as being the Insurer however this transferred on 1/4/20.
- The Financial Delegation, which is used to support the Scheme of Delegation is dated 2014/15. Governors approval of the Scheme of Delegation was not evidenced.
- The school do not have a risk register.

**DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

8. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified and the recommendations to management are detailed in Appendix A.

1. Expenditure	
<p><b>Finding</b></p> <p>From the bank history 10 payments were selected for audit examination the main issues arising were:</p> <ul style="list-style-type: none"> <li>• The school did not have a current authorising signatories list with specimen signatures and initials.</li> <li>• For 1/10 payments the lowest quote was not accepted for refurbishment works, when costs are compared net of VAT. It was noted on the project summary that a member of staff had worked for one of the contractors; a declaration of Interest has now been signed but it was not at the time of the award. Detailed finding reported at Appendix C.</li> </ul> <p><b>Risk</b></p> <p>Unauthorised sign off of the purchase orders, invoices and /or cheques. Challenge from a competing contractor for the award of procured work.</p>	
<p><b>Recommendation</b></p> <p>The bank mandate should be updated to reflect officers, authorised to sign cheques from the school account The authorised Signatories list should be developed to show signatures and initials for all officers authorised as part of the expenditure process with financial limits as set out in the agreed Scheme of Delegation.</p> <p>For tendered work the lowest quote should be accepted. Care should be taken to remember that recoverable VAT should be excluded when comparing to contractors who are not registered for VAT. If the evaluation identifies other factors to be considered the Headteacher and Chair of Governors should sign a waiver to evidence. All staff with financial responsibilities and/or input to procurement decisions should sign a declaration of interest.</p>	<p><b>Rating</b></p> <div style="border: 1px solid black; background-color: #ffc107; padding: 5px; text-align: center; width: fit-content; margin: 0 auto;">Priority 2</div>
<p><b>Management Response and Accountable Officer</b></p> <p>Updated authorised signatories list is now available. We will ensure going forward that if the lowest tender is not accepted, the reasoning behind the recommendation that is sent to governors for their decision is detailed in the document. Pecuniary interest's forms have now been signed by the relevant staff members. Going forward a pecuniary interest form will be completed by any staff who may have an interest in a company or individual that is to be paid by the school, Declaration forms will be completed prior to said company/individual working for the school.</p>	<p><b>Agreed timescale</b></p> <p>ongoing</p> <p>ongoing</p>

2. HMRC – IR35 payments	
<p><b>Finding</b></p> <p>From the bank history a sample of 8 payments to named individuals was selected to evidence compliance to IR35 regulations. The main issue arising were:-</p> <ul style="list-style-type: none"> <li>• Online HMRC questionnaires had not been completed for the 8 off payroll (IR35) payments.</li> <li>• For 4/8 payments the provider had requested payment to themselves although the invoice stated the name of a company and this should have been the preferred method of payment.</li> <li>• A declaration of Interest was signed by an officer after the payment had been made to a family member.</li> </ul> <p><b>Risk</b></p> <p>Financial penalty charged to the Governing Body for noncompliance to HMRC Regulations (IR35) Challenge from a third party relating to the award of procured work</p>	
<p><b>Recommendation</b></p> <p>For any payments to named individuals the school should complete the online questionnaire on the HMRC website to establish payroll /self-employment status. New regulations effective from April 2021 state that this assessment must be given to the individual to be engaged. For school purposes the assessment should be retained, dated and certified to support payment to a named individual.</p> <p>In all circumstances where the company name is available on the submitted invoice this should be used to make payment rather than the named individual.</p>	<p><b>Rating</b></p> <div style="border: 1px solid black; background-color: yellow; padding: 5px; display: inline-block; margin: 10px auto;">Priority 2</div>
<p><b>Management Response and Accountable Officer</b></p> <p>We are now completing HMRC IR35 questionnaires. The completed questionnaire have/will be sent to the company or individuals for their records.</p> <p>All completed questionnaires are now filed in a folder in a locked cupboard in the Finance Manager’s office</p>	<p><b>Agreed timescale</b></p> <p>ongoing</p>

3. Financial Procedures	
<p><b>Finding</b></p> <p>The school evidenced financial procedures for all staff raising a purchase order that were comprehensive and highlighted control and authorisation issues. There were no procedures available for the finance function to clarify roles and responsibilities and to ensure business continuity if officers are absent.</p> <p><b>Risk</b></p> <p>Key financial procedures may not be sustained during periods of absence. Business continuity may be compromised when key officers leave the school</p>	
<p><b>Recommendation</b></p> <p>The school should consider the processes undertaken by finance and administrative officer and draft procedure notes to support these tasks. The procedure notes should include recurring events, assign roles and responsibilities, suggested substitutions and a review date to ensure procedures are kept up to date.</p>	<p><b>Rating</b></p> <div style="border: 1px solid black; background-color: #90EE90; padding: 5px; display: inline-block; margin: 10px auto;">Priority 3</div>
<p><b>Management Response and Accountable Officer</b></p> <p>Our business continuity plan was approved by the governing body. It is due for renewal in June 2021. Finance is covered under the administration section</p> <p>As we have now moved to hosted FMS (financial system) the system can be used by up to 10 users who can access this from any computer (there is a two-level log in system for safety). If in the event of a critical incident which meant we weren't allow access to the school the financial system could be accessed from outside. The school is now training a admin member of staff on the FMS system to ensure if the finance manager was absent, the finance work can continue uninterrupted.</p>	<p><b>Agreed timescale</b></p> <p>End of May 2021</p> <p>ongoing</p>

4. Financial Reporting	
<p><b>Finding</b></p> <p>The cash flow statement set as a budget report for 2020/21 was not available, although the monthly cash flow reports showing actual values was evidenced signed and certified. It is acknowledged that the current pandemic has impacted on budgeting and financial planning.</p> <p>The aged creditors report for 1.12.20 identified two invoices outstanding for over 91 days. Both payments were satisfactorily explained but this does indicate that the control accounts, debtors and creditors, if routinely run, will identify any payments or debtors invoices that need action and resolution.</p> <p><b>Risk</b></p> <p>The school may not be aware of their ability to meet all liabilities</p> <p>Timely remedial action may not be taken to recover debts due to the school and invoices for payment may exceed 30 days</p>	
<p><b>Recommendation</b></p> <p>The school should produce a budget cash flow report for 2021/22.</p> <p>Control accounts, aged creditors and debtors should be run regularly and retained as part of the month end procedures.</p>	<p><b>Rating</b></p> <div style="border: 1px solid black; background-color: #90EE90; padding: 5px; display: inline-block; margin: 10px 0;">Priority 3</div>
<p><b>Management Response and Accountable Officer</b></p> <p>A budget cash flow report will now be done for 2021/22 to be continued going forward</p> <p>Aged debtors reports were run 6 times a year when reporting to the governors.</p> <p>From now aged creditors and debtors will be run on a monthly basis.</p>	<p><b>Agreed timescale</b></p> <p>End of May &amp; on going</p> <p>On going</p>

5. Contracts Register	
<p><b>Finding</b></p> <p>The contract register was a comprehensive list of all contracts and subscriptions but needed updating and completion of expiry dates for some of the contracts. The register should be reported to Governors annually to allow scrutiny and challenge as contracts are rolled over and extended. The contract register was reported to Resources Committee in March 2021 for Governor review.</p> <p><b>Risk</b></p> <p>Contracts may not be reviewed in a timely manner to allow scrutiny and review for the contract to be terminated, extended or retendered. Financial commitment for contracts and agreements may not be identified</p>	
<p><b>Recommendation</b></p> <p>The contracts register is a “live “document and as such should be regularly reviewed and updated. It is a useful planning tool to identify expiry dates for contracts to allow adequate time to evaluate options to terminate, extend or re tender. Governors should review the contract register annually to scrutinise and challenge “rolled over” contracts for performance and value for money.</p>	<p><b>Rating</b></p> <div style="border: 1px solid black; background-color: #90EE90; padding: 5px; display: inline-block; margin: 10px auto;"> <p><b>Priority 3</b></p> </div>
<p><b>Management Response and Accountable Officer</b></p> <p>The governors received a copy of the live document at each Resources meeting. Approval to be minuted at next Resources meeting and SLT to review and discuss quarterly.</p> <p>This document was last reviewed at the Resources March meeting where a question was raised and answered regarding the finance package. The appointed Finance Manager no longer needed the additional support that came with the gold package and therefore enabled the school to opt for the cheaper bronze package.</p>	<p><b>Agreed timescale</b></p> <p>May 2021 ongoing ongoing</p>

6. Lettings Policy	
<p><b>Findings</b></p> <p>The Lettings policy evidenced at the start of the audit still shows the Council as being the school’s Insurers. The school transferred to an alternative provider with effect from 1/4/20 and this should be updated in the Lettings policy. Given the school are now insured with a new provider and not the Council insurance policies, the school should seek advice from their insurance provider relating to any queries about Public Liability. Previously, and still shown on the lettings application form a hirer can pay 10% of the hire fee to be covered by the Council’s Insurers. As the school are no longer insured under the Council’s insurance policies the school should seek clarification from their current insurance provider regarding hirers cover under their Public Liability policy.</p> <p>The fees and charges embedded in the policy are for April 2018 to 2020 and will need to be reviewed and the schedule updated for 2021 onwards.</p> <p><b>Risk</b></p> <p>The school may be inadequately insured, the school may not have adequate insurance cover for any claim that is received in respect of Public Liability. Income collected may not agree to approved fees and charges</p>	
<p><b>Recommendation</b></p> <p>The school should review the insurance status of all current lettings to confirm that the hirer has their own Public Liability insurance and that the school has a copy to evidence that the insurance cover is current. The school should contact their insurers and clarify the insurance cover regarding lettings if a hirer does not have Public Liability cover, the application form needs to be revised in line with this advice.</p> <p>The lettings policy, and application form needs to remove any reference to the Council’s Insurers as this is out of date information and inaccurate.</p> <p>The Fees and Charges need to be reviewed and the schedule extended beyond April 2020.</p>	<p><b>Rating</b></p> <div style="border: 1px solid black; background-color: yellow; padding: 5px; text-align: center; width: fit-content; margin: 10px auto;"> <p><b>Priority 2</b></p> </div>
<p><b>Management Response and Accountable Officer</b></p> <p>The lettings application form is being updated to remove the reference regarding the Council’s Insurers, if we have any hirers prior to the lettings form being updated the section relating to the Council’s Insurers will be crossed through.</p> <p>We do not hire out the premises to anyone who does not have their own public liability insurance. Copies of public liability certificate are received and stored with the letting application prior to the letting taking place.</p>	<p><b>Agreed timescale</b></p> <p>End of May 2021</p> <p>ongoing</p>

7. Scheme of Delegation	
<p><b>Finding</b></p> <p>The Scheme of Delegation was last reviewed in May 2018 as per the footer date on the submitted document. The Scheme of Delegation was not signed although the document title suggests e-mail approval was available 19.1.17.</p> <p>The Scheme of Delegation should be supported by:-</p> <ul style="list-style-type: none"> <li>• a list of authorised signatories – not available at the start of the audit</li> <li>• the Financial Delegation which is dated 2014/15 and will need to be reviewed and updated</li> </ul> <p>Annual approval by the Governing Body not evidenced; minutes of the Resources Committee November 2020 record that FM is to review the financial limits for Scheme of Delegation and this was completed for the March 2021 Resources Committee. The document should reflect the current date, date of any revision and planned review date.</p> <p>Note that Financial Regulations for Schools have been updated and were issued to the schools in January 2021</p> <p><b>Risk</b></p> <p>Delegated duties and financial limits agreed by Governors may not be adhered to</p>	
<p><b>Recommendation</b></p> <p>The Scheme of Delegation should be reviewed and reported to Governors for approval. The Scheme of Delegation will need to be supported by a reviewed and revised Financial Delegation and the Authorised Signatories list.</p>	<p><b>Rating</b></p> <div style="border: 1px solid black; background-color: yellow; padding: 2px; display: inline-block;">Priority 2</div>
<p><b>Management Response and Accountable Officer</b></p> <p>The Clerk of Governors has now found an updated version of the Scheme of Delegation, which was actually revised in May 2018, reviewed in November 2018 and then again in 2019. The former Finance Officer had not updated the Scheme of Delegation with these reviews or dates. The Scheme of Delegation is now saved in a shared drive so staff with the appropriate access rights can view the document.</p> <p>The updated Scheme of Delegation is being sent to our Resources meeting on the 26<sup>th</sup> May 2021 along with the division of duties policy and updated schools' expenditure authorised signatories. Copies of all documents now available.</p>	<p><b>Agreed timescale</b></p> <p>End of May 2021</p>

8. Cyber Security and Risk	
<p><b>Finding</b></p> <p>The school do not currently have a risk register.</p> <p>There are two registered users on FMS, the FM and one administrative officer, both officers have unique usernames and passwords which are prompted to change regularly. There is currently one FMS licence held on the FM desktop. The school advised that this will be changing as the system is moving to a cloud-based version with up to 10 licences. The system administrator is the FM, the primary user. With additional licences the school could consider assigning the system administrator role to another officer without operational financial responsibilities to achieve a separation of duties.</p> <p><b>Risk</b></p> <p>Financial loss from events not adequately identified as a risk and inadequate plans to mitigate against those risks.</p> <p>Manipulation of a financial system may not be detected and the audit trail compromised</p>	
<p><b>Recommendation</b></p> <p>The school develop a risk register setting out the controls in place to mitigate those risks and action to be taken if any events set out occur.</p> <p>The school should consider allocating the FMS system administrator role to an officer independent of the primary users.</p>	<p><b>Rating</b></p> <div style="border: 1px solid black; background-color: yellow; padding: 5px; text-align: center; width: fit-content; margin: 0 auto;"> <p><b>Priority 2</b></p> </div>
<p><b>Management Response and Accountable Officer</b></p> <p>We are preparing a risk register, have asked other schools for a copy of theirs, if they have one so we have a template to work from.</p> <p>The system administrator role is difficult to pass to an independent officer as only staff who use it have the ability and skill to be able to issue new users to the system. The Finance Manager is the current system administrator who only signs internal documents. The audit trail on the system shows the current users and what they have done on it.</p>	<p><b>Agreed timescale</b></p> <p>End of June 2021</p>

Assurance Level

Assurance Level	Definition
<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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
<b>Priority 1</b>	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.
<b>Priority 2</b>	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.
<b>Priority 3</b>	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.

**Recommendation 1 – detailed findings**

The award of contract for the project A was approved by Governors, by e-mail and Resources Committee 9.7.20 but it is not evidenced that the governors saw the quotes or project summary. The contract was awarded to Contractor A who had submitted the lowest tender of £11,500 but this contractor is not registered for VAT and therefore did not quote or charge VAT. When the 20% VAT is deducted from the next lowest tender, this would have been the lowest. To comply with Financial Regulations and deliver value for money the lowest tenderer should have been awarded the contract unless there are factors relating to performance, recommendations, specialist work or availability that need to be considered and if necessary a waiver signed by the Headteacher and Chair of Governors to not select the lowest cost quote. In this case neither contractor had worked at the school so past performance was not part of the evaluation.

It was noted on the project summary that a member of staff had worked for one of the contractors. Although a declaration of Interest has now been signed it was not at the time of the award. It has now been confirmed that the member of staff is also related to the contractor.

It is acknowledged that obtaining quotes during COVID would have been difficult and as such the audit findings relate to an awareness of cost comparisons, value for money, information presented to governors and transparency with regard to pecuniary interests for all procurement going forward.