

BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH



THE LONDON BOROUGH  
www.bromley.gov.uk

TELEPHONE: 020 8464 3333

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

DIRECT LINE: 020 8313 4316

DATE: 14 October 2021

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

**Meeting to be held on Thursday 21 October 2021**

- 1 FREEDOM OF INFORMATION AND SUBJECT ACCESS REQUESTS 2021-22**  
(Pages 3 - 14)
- 2 IMPLEMENTATION OF COVID 19 PROCUREMENT ARRANGEMENTS 2021-22**  
(Pages 15 - 24)
- 3 REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTING WORK**  
(Pages 25 - 40)
- 4 REVIEW OF CREDITORS** (Pages 41 - 58)
- 5 REVIEW OF HOUSING BENEFITS 2019-20** (Pages 59 - 66)
- 6 REVIEW OF HOUSING BENEFITS 2020-21** (Pages 67 - 72)
- 7 RING FENCED HIV PREP GRANT DETERMINATION LETTER** (Pages 73 - 74)
- 8 INTERNAL AUDIT REVIEW OF THE SUPPORTING FAMILIES CLAIM** (Pages 75 - 78)
- 9 REVIEW OF MARJORIE MCCLURE SCHOOL** (Pages 79 - 92)
- 10 REVIEW OF THE OPERATION OF THE WASTE DISPOSAL AND WASTE COLLECTION CONTRACTS 2021** (Pages 93 - 108)
- 11 DISABLED FACILITIES CAPITAL GRANT DETERMINATION 2020-21**

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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***Copies of the documents referred to above can be obtained from***  
***[www.bromley.gov.uk/meetings](http://www.bromley.gov.uk/meetings)***

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

**FREEDOM OF INFORMATION AND SUBJECT ACCESS REQUESTS 2021-22**

**Issued to:** Charles Obazuaye, Director of HR and Customer Services  
Vinit Shukle, Assistant Director of IT  
Lucinda Bowen, Head of Information Management  
Jonathan Loughlin, Information Management Officer

**Prepared by:** Internal Auditor and Senior Auditor

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

**Date of Issue:** 28 September 2021

**Report No.:** CORP/01/2021

## INTRODUCTION

1. This report sets out the results of our internal audit of Freedom of Information (FOI) Requests and Subject Access Requests (SAR). The audit was carried out as part of the work specified in the 2021-2022 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 the audit has highlighted will increase the associated risks and should therefore be addressed by management.
2. The audit looked to review the arrangements in place for oversight and control over FOI/SAR activity, as well as the reliability of records, integrity of information and compliance with relevant regulations.
3. The Freedom of Information Act 2000 (FOIA), which came into effect on 1 January 2005, governs and increases rights of access to information held by public authorities (other than personal information which continues to be governed by the Data Protection Act (DPA) 2018). Under the DPA 2018, an individual can submit a SAR for the information which they are entitled to ask for under section 7 of the DPA 2018.
4. All public authorities covered by the FOIA must maintain a Publication Scheme, which is a catalogue of information that an Authority already makes available to the public as a matter of course. A Publication Scheme should state what format the information can be supplied, who can provide access, and whether there will be a fee to provide that information.
5. Public authorities are required to provide information requested in writing by a member of the public and are obliged to process and respond to FOI requests within 20 working days, and SAR within 1 calendar month. All formats and types of information are covered by the Acts which is enforced by the Information Commissioner.
6. The fieldwork for this review was completed remotely during the government measures put in place in response to COVID-19.
7. We would like to thank all staff contacted during this review for their help and co-operation.

## AUDIT SCOPE

8. The scope of the audit was outlined in the Terms of Reference issued in April 2021.

9. The controls in place to mitigate the impact of the key risk areas were examined. Controls relating to corporate and departmental risks were also examined where applicable. The audit included a review of relevant documentation, interviews with key officers and testing of related procedures and processes.
10. The following were considered to be the key risks inherent to the FOI and SAR process:
  - Legislative, organisational and Management Requirements: Lack of guidance in place and/ or staff awareness, resulting in a breach of the legislation.
  - Recording, Processing and Responding to Requests: Requests are mislaid and/ or not responded to within statutory timeframes. Inappropriate information is divulged.
  - Management Information: There is no central oversight of FOI and SARs. Poor performance persists with no corrective action taken.

**AUDIT OPINION**

11. 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>

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

**SUMMARY OF FINDINGS**

12. Detailed below we have set out examples of controls noted to be in place and working effectively, based on the audit testing conducted. In addition, where we have identified issues, we have also highlighted these below:

- The Council’s website lays out the procedure for filing FOIs/SARs with the Council and includes a link to a webform to submit such requests. However:
  - The SAR policy is available on the Council’s website, but the version available is dated May 2018, meaning it is likely to be out of date (*see issue 1 in detailed findings*).
  - Whilst information about the process for filing a FOI Request, and how it will be handled, is made available, there is no single FOI policy document available (*see issue 2 in detailed findings*).

- Evidence was provided to confirm that training events for members of the Information Management team on information governance and changes to FOI and data regulations had recently been held. Training is largely on an ad hoc basis, with no set schedule for training or a training plan in place. At the time of audit fieldwork, recent training events included SAR training in April 2021, and GDPR training in February 2021. The Information Manager advised that due to COVID-19, there have been fewer training events than would otherwise have been the case.
- Semi-annual meetings were held for the departmental information coordinators, who have devolved responsibility for fulfilling FOIs/SARs. Our review of meeting minutes for the most recent meeting (at the time of audit fieldwork) in September 2020 confirmed that these included updates on any changes to regulations, as well as feedback on performance.
- The Council uses the model 'Scheme of Publication' published by the Information Commissioner's Office. A copy of the scheme is publicly available on the Council's website.
- The Council uses an IT system for tracking the progress of FOIs/SARs. The system logs receipt of requests, officer allocations and the dates of responses, but does not contain copies of the correspondence with the requestor. It is possible to log a request as complete on the system without uploading evidence to substantiate this. This has resulted in difficulties in providing an audit trail (*see issue 3 in detailed findings*).
- We tested a sample of ten FOI requests and five SARs received by the Council in the year, and found that:
  - All the requests tested were logged in the system within two days of receipt;
  - 12 of the sample had responses, according to the record in the system, sent to requestor within the statutory 20 working days for FOIs, and one calendar month for SARs. Explanations provided for the three exceptions were that:
    - No evidence of a response was retained due to staff departure;
    - The requestor was unclear on the information requested. Therefore, further clarification was needed; and
    - The request was a Council-wide SAR and took longer to respond to than a typical SAR.
  - All of the cases were logged on the system upon receipt and logged as completed once a final response had been sent. However, we noted that the system did not contain complete copies of correspondence, including many of the final responses. (*see issue 3 in detailed findings*).

- The system includes a number of automated controls. For example, it logs when a request was input into the system, when acknowledgement was sent to the requesting party, when the request was allocated to a department, and when the request was replied to. In addition, the system logs the name of the officer who marked each such task as complete, helping ensure an appropriate audit trail. However, during testing, we noted that copies of the acknowledgements or responses were not retained in either the system or the shared folder, meaning these were only accessible to the member of staff who sent these. *(see issue 3 in detailed findings)*.
- Responsibility for sourcing the data needed to respond to a FOI/SAR lies with a departmental information coordinator. The Information Management (IM) team allocate requests to the relevant departmental information coordinator to be processed. Testing of a sample of ten FOI requests and five SARs, confirmed that all requests were allocated to a department and emailed to the information coordinator for that department within a week of receipt.
- The IM team send out weekly reminders to information coordinators who have outstanding requests, reminding them of the statutory deadlines in place.
- The IM team verify that the information supplied by the information coordinator is appropriate and then prepare a final response to the requesting party. However, we identified issues with the final responses being documented. As these responses are not uploaded to the system, other members of the IM team cannot view responses sent by another officer. This has meant that the team were unable to provide evidence of a final response in several cases, (where the officer who sent the response is either on long-term leave or has since left the Council) *(see issue 3 in detailed findings)*.
- The Head of Information Management collects statistics on how many SAR and FOI requests are processed within the respective statutory timeframes (i.e. 20 working days for FOIs, one calendar month for SARs) and reports these to the information coordinators at the periodic meetings. We obtained and reviewed the most recent report, dated January 2021, which established that:
  - For the period October-December 2020, 86% of FOI requests were closed within the statutory timeframe, but just 53% of SARs were closed within the statutory timeframe;
  - For FOIs, this is an improvement over the September 2020 report (covering June-August 2020), where just 79% of FOI requests were closed on time, but a decrease from 91% for SARs; and
  - The number of SARs trebled from 11 in June-August 2020, to 32 from October-December 2020. However it is noted that SARs made up a very small portion of the team's work, as during these periods, there were 238 and 287 FOIs respectively.

13. We would also like to bring to management attention the following minor issue (which is not being raised a recommendation):
- Training events were being held on an ad hoc basis, rather than according to a regular/scheduled training plan.

**DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

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

## FREEDOM OF INFORMATION &amp; SUBJECT ACCESS REQUESTS 2020-21

## APPENDIX A

## DETAILED FINDINGS AND ACTION PLAN

No.	Finding	Risk	Recommendation and Priority	Management Response	Agreed Timescale and Responsible Manager
1	<p><u>SAR Policy – Past review date</u></p> <p>During fieldwork, it was found that the SAR policy available on the Council's website was last revised in May 2018. The scheduled review date on the policy document was 20 May 2019 which had not been adhered to.</p>	<p>Where policies are not regularly reviewed for relevance, there is a risk that out-of-date information about related legislation or the Council's internal procedures may remain on the Council's website. There is also a risk of regulatory non-compliance if an out-of-date policy is used internally.</p>	<p>The SAR policy should be annually reviewed and, where appropriate, updated.</p> <p>Priority 2</p>	<p>We are recruiting temporary position to the Information Management team to pick up on duties overlooked due to sickness</p>	<p>November 2021</p> <p>Head of Information Management</p>
2	<p><u>There is no clear FOI Policy</u></p> <p>Fieldwork established that, whilst information about FOIs are available on the Council's website, and there are procedure notes for internal use, there is no single 'FOI policy' available for either internal or external use.</p>	<p>Where the Council's policy on FOI is unclear, there is a risk of regulatory non-compliance, due to officers not following the correct policy internally.</p>	<p>The Council should have a clear FOI policy document, which should be published on its website.</p> <p>Priority 2</p>	<p>The Council has an FOI policy, which is published on the intranet. The page on Bromley.gov.uk will be updated.</p>	<p>October 2021</p> <p>Head of Information Management and Information Management Officer</p>

FREEDOM OF INFORMATION & SUBJECT ACCESS REQUESTS 2020-21

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

	Although the requirements and conditions of FOI requests are largely laid out in legislation, the Council should still have a clear internal policy on the processing of FOI requests.				
3	<p><u>Correspondence not retained centrally</u></p> <p>The Information Management (IM) team are required to send an acknowledgement email upon receipt of an SAR or FOI request, and a final response to the request.</p> <p>All correspondence between the IM team and the requestor is via email.</p> <p>Discussion confirmed that the IM team will send an initial acknowledgement upon receipt, and then a final response when the information has been prepared. However, during fieldwork, we were unable to obtain evidence of some of the correspondence due to staff not being available,</p>	<p>Where evidence of correspondence is not retained centrally, there is a risk that it will become inaccessible should a member of staff go on leave or leave the Council.</p> <p>There is a further risk that the Council will be unable to demonstrate that proper procedure has been followed should a dissatisfied requestor appeal to the Information Commissioner.</p>	<p>All correspondence with requestors should be retained centrally, to ensure that it is available irrespective of staff changes.</p> <p>There are a number of ways that this can be fulfilled, including:</p> <ul style="list-style-type: none"> <li>• Saving emails in a shared drive;</li> <li>• Uploading emails into a document imaging system;</li> <li>• Forwarding of emails to an archiving address and archiving of emails.</li> </ul> <p>Priority 1</p>	<p>A new system went live on 2<sup>nd</sup> August. This case management system houses all information relating to the request</p>	<p>In Place</p> <p>Head of Information Management</p>

**FREEDOM OF INFORMATION & SUBJECT ACCESS REQUESTS 2020-21**

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**DETAILED FINDINGS AND ACTION PLAN**

**APPENDIX A**

	<p>either due to long term leave or having left the Council.</p> <p>As a result, Internal Audit was unable to verify some correspondence (for the sample of ten FOIs and five SARs tested as follows:</p> <ul style="list-style-type: none"><li>• Acknowledgement of request for seven FOIs and two SARs</li><li>• Draft response for two FOIs</li><li>• Full response for one FOI.</li></ul>				
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**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.

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

**Implementation of COVID19 Procurement Arrangements 2021/22**

**Issued to:** Laurence Downes, Assistant Director Governance and Contracts  
Maddy Hayes, Head of Procurement  
Peter Turner, Director of Finance

**Prepared by:** Internal Audit

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

**Date of Issue** 12<sup>th</sup> August 2021

**Report No.:** CEX/06/2021

# IMPLEMENTATION OF COVID19 PROCUREMENT ARRANGEMENTS 2021/22

## INTRODUCTION

1. This report sets out the results of our internal audit (audit) of the implementation of COVID19 procurement arrangements in line with the Public Contract Regulations (PCR) 2015. The audit was carried out as part of the work specified in the 2021-2022 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The audit looked to review the actions taken during the COVID19 pandemic to support providers of Council services in compliance with Procurement Practice Notes (PPNs) 01/20 and 02/20.
3. PPN01/20 details options that may be considered for procurement under PCR 2015, whereas PPN02/20 provides practical guidance to contracting authorities and suppliers on keeping payments flowing, (this can take the shape of relaxing key performance indicators supported by temporary variation agreements.)
4. Both PPNs are open ended. PPN01/20 was a reiteration of existing options so an end date did not apply. PPN02/20 was initially to be in place until 30 June 2020 but was superseded by PPN04/20 in June 2020 with an end date of October 2020, which in turn was then extended with subsequent lockdowns.
5. We would like to thank all staff contacted during this review for their help and co-operation.

## AUDIT SCOPE

6. The original scope of the audit was outlined in the Terms of Reference issued in February 2021. This internal audit review was conducted remotely due to Covid-19 and government advice and restrictions.
7. The controls in place to mitigate the impact of the key risk areas were examined. Controls relating to corporate and departmental risks were also examined where applicable. The audit included a review of relevant documentation, interviews with key officers and testing of related procedures and processes.
8. The following were considered to be the key risks to the process:

## IMPLEMENTATION OF COVID19 PROCUREMENT ARRANGEMENTS 2021/22

- Where staff are not properly aware of or do not properly understand the implications of PPN01/20 and PPN02/20 then inappropriate procurement activities may take place.
- Procurement undertaken may not be in line with Council and relevant public procurement regulations.
- The Council may not be able to demonstrate that procurement activities during COVID19 have satisfied the qualifying tests included in PPN01/20 and PPN02/20, and therefore violate the PCR 2015.
- If procurement is not in line with the needs and objectives of the Council, value for money may not be demonstrated.
- If non-compliance is identified and not addressed, this could lead to reputational and financial damage to the Council.

### AUDIT OPINION

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

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

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

## IMPLEMENTATION OF COVID19 PROCUREMENT ARRANGEMENTS 2021/22

### SUMMARY OF FINDINGS

10. Controls were noted to be in place and working effectively, based on the audit testing conducted, including:
- PPN guidance was provided to contract owners initially in April 2020 and then again in July 2020 detailing:
    - Specification requirements;
    - Cash flow support mechanisms;
    - Continuity funding, and
    - Additional funding.
  - An executive decision was taken by the leader of the Council on 24 April 2020 to grant delegated authority to chief officers to take appropriate procurement action to manage contracts during and after the pandemic including supporting ongoing sustainability.
  - Communication was sent out to all Bromley providers on 24 March 2020, detailing the support available for sustainability and what arrangements have/can be put in place to aid each provider based on their specific needs. In addition to this there was a dedicated webpage offering advice and guidance to all through the pandemic.
  - There has been no specific training provided to the contract owners; however, it was confirmed that there was guidance available, along with 'urgent' actions required to be taken.
  - Sample testing of 10 providers to demonstrate PPN02/20 (supplier relief) being applied found that:
    - Two providers did not require any relief, (one provider a response via email from the Managing Director (14/05/20) confirmed that no help was required and for the other assistance was offered but the provider declined this, this was seen via an update of the provider financial support central log completed by the contract owner).
    - For the remaining eight, while there were appropriate reasons given for requiring support, which consisted of one of either additional funding, cash flow support, continuity funding, or specification variation support categories, evidence of the required completed provider support arrangement templates were not available for any of those sampled. (Finding 1).

## IMPLEMENTATION OF COVID19 PROCUREMENT ARRANGEMENTS 2021/22

- In line with the Council's requirement that, '*Where Contract Owners believe that provider support arrangements for critical services need to be maintained beyond August 2020, this needs to be agreed with their Director and Finance Lead, especially where there are financial implications in doing so*', testing confirmed that all relevant decisions were undertaken by the respective directors for each service for the 8 sampled cases where relief was provided.
  - Testing of the supporting documents and Gateway reports for a sample of 10 contract awards since 1 April 2020 (consisting of seven contract extensions and three direct awards) confirmed that (in line with the requirements of PPN01/20) for each:
    - There were genuine reasons for extreme urgency (exemption beyond terms);
    - They were preceded by events that had led to the need for extreme urgency;
    - In case of acquiring PPE, the need to comply with the usual timescales was not possible;
    - All supported Gateway reports, that further broke down the reasons, were in place and suitably authorised by the Assistant Director Governance and Contracts; and
    - The contracts were discussed at the relevant audit sub-committee.
  - Under PCR regulation 32(2)(c) a contracting authority, where reasons of extreme urgency brought about by unforeseeable events, time limits or restricted competitive procedure, may opt to go down a direct award route, i.e. would be classed as having an "exemption from tendering". Testing of three of our sample (out of a sample of 10) contracts classed as having an "exemption from tendering" confirmed that the urgency criteria had been met, as follows:
    - contract was undertaken as a direct response to the pandemic, and therefore could not comply to the regular procurement route;
    - this was a direct award to the existing contractor, where the existing contract had expired on 31 March 2020 (the option for extension was included in the original contract); and
    - this was a direct award to the existing contractor, where the existing contract expired in March 2020.
11. We would, however like to bring to management attention that the Council's procurement strategy is due to be updated, extending the social value aspects within this. No recommendation has been made as the Assistant Director Governance & Contracts, was already in the process of updating this document at the time of audit (In June 2021).

## **IMPLEMENTATION OF COVID19 PROCUREMENT ARRANGEMENTS 2021/22**

### **DETAILED FINDINGS / MANAGEMENT ACTION PLAN – N/a**

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

1. Support Arrangement Templates	
<p><b><u>Finding</u></b></p> <p>Guidance issued on 1 July 2020 to all contract owners detailed that, <i>“Where provider support arrangements have been put in place, Contract Owners must record a summary of what has been agreed and the proposed transition plan (or proposed continuation of support arrangements) using the template provided. Completed templates must be sent to the Assistant Director Governance &amp; Contracts.”</i></p> <p>Evidence of completed provider support arrangement templates were not provided to us for any of the sample of 10 contracts tested.</p> <p>Assurance was given by the Assistant Director Governance &amp; Contracts that requests were reviewed and that a central tracker was maintained.</p> <p><b><u>Risk</u></b></p> <p>There is no clear audit trail of the decisions made and a risk that aspects of these arrangements may be lacking</p>	
<p><b><u>Recommendation</u></b></p> <p>Contract owners should be formally reminded of the need to complete and submit provider support arrangement templates to the Assistant Director Governance &amp; Contracts.</p> <p>Outstanding templates should be followed up.</p>	<p><b><u>Rating</u></b></p> <div style="border: 1px solid black; background-color: yellow; padding: 2px; display: inline-block;">Priority 2</div>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>The outcomes of the Audit report are positive and very welcome.</p> <p>In relation to the recommendation: the purpose of the request to Contract Owners to complete the template provided was to support COE and CLT oversight on provider support arrangements put in place at that time in July/August 2020.</p>	<p><b><u>Agreed timescale</u></b></p> <p>Communication to be sent to Contract Owners by September 2021</p>

<p>A year has now elapsed, and that information is no longer required in that format, nor will it be provided to COE/CLT at this time. Therefore, there is no value to Contract Owners retrospectively completing those templates at this time.</p> <p>A communication will be sent to Contract Owners highlighting the recommendation arising from this audit; it will emphasise the importance of responding to similar requests for information in future and the reasons to do so; and it will remind Contract Owners to review their contracts to ensure that any actions taken at that time are supported by suitable contract variations where required.</p>	<p>Assistant Director Governance &amp; Contracts</p>
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**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.

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**INTERNAL AUDIT FINAL REPORT**

**CHIEF EXECUTIVE'S / PEOPLE**

**REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK**

**Issued to:** Janet Bailey, Director of Children's Services  
Charles Obazuaye, Director of HR and Customer Services  
Peter Turner, Director of Finance  
David Dare, Assistant Director, Children's Social Care  
Laurence Downes, Assistant Director Governance and Contracts  
Betty McDonald, Head of YOS and Youth Support

**Cc:** Claudine Douglas-Brown, Assistant Director Exchequer Services  
David Bradshaw, Assistant Director, Children, Education and Families  
David Dobbs, Head of Corporate Finance and Accounting  
Maddy Hayes, Head of Procurement  
Susan Luck, HR Business Services and Reward Manager

**Prepared by:** Principal Auditor

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

**Date of Issue:** 12 October 2021

**Report No:** CEX/08/2021/UN

## REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK

### INTRODUCTION

1. Our audit of creditors included testing the procedures for setting up new suppliers on the Council's financial system. Our testing identified a supplier which had been set up on the Council's financial system in December 2020 for providing consultancy work in Children's Services. We noted that the supplier's name on the supplier set up form was 'Supplier A' with a supplier address in a country of the European Union and the company was registered at Companies House in that country. The payment details section of the set-up form, completed by the supplier, showed however that the name of the bank account to be paid was the supplier's personal bank account with a bank address in the north of England. The form had been authorised by the Director of Children's Services.
2. This report sets out the findings from our separate review into that engagement. The scope of our review included the financial and procurement arrangements and the IR35 assessment.
3. We would like to thank everyone contacted during this review for their help and co-operation.

### SUMMARY OF FINDINGS

4. We would like to bring to management's attention the following key findings which we identified:
  - We found that the consultant's tax arrangements were properly considered by the Director of Children's Services, who sought advice from Finance Directorate, before the payment arrangements were put in place. It is not however clear who has responsibility within Finance Directorate for deciding how international payments to suppliers based overseas should be made. BACS payments made through the Council's financial system can only be made in British pound sterling. Payment by CHAPS was considered but not proceeded with as it would not be cost effective to make international payments in this way. We were however informed subsequently by senior management in Finance Directorate that the cost is not as prohibitive as a member of Finance Directorate had originally told Children's Services. The Council should liaise with its tax advisors to confirm that the payment arrangement made in this case does not leave the Council at risk of a subsequent enquiry and possible financial penalties from the HMRC.
  - The consultant was engaged due to their expertise in the specialism of a particular area of Children's Social Care. No quotations were sought for this work and a waiver exemption was not obtained, as required by Contract Procedure Rules. A total of £94,850 was spent on this work since November 2019 against an original budget of £33,750. There was no evidence that sufficient funds were made available prior to the re-engagement of this consultant. The Children's Social Care

## REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK

consultancy cost centre was overspent in 2019/20 and 2020/21; this was contained in the overall expenditure on Council Services. The consultant was part of an exit strategy which has now handed this over to the service to continue the work and therefore no further expenditure is expected.

- The consultant's performance has been reviewed at regular meetings between the Assistant Director for Children's Social Care and the Head of the particular area of Children's Social Care. Invoices for the re-engagement (four months after the initial engagement ended) showed an increase in the daily rate of £100 (22%). This was a market factor as the expert was being used by other local authorities for similar work. The Director of Children's Services and Assistant Director for Children's Social Care confirmed that they were aware and had agreed that in advance, although there was no evidence of a formal written agreement. At the end of the first engagement the consultant relocated to a country in the European Union and set up a new business 'Supplier A'. At the time of the audit there were contracts for the original engagement, but no new contract had been issued and signed by the consultant and the Council for the re-engagement. This was remedied by the Department as soon as it was identified during the audit. We requested, but did not see, the supplier's public liability and professional indemnity insurance for the new contract or the specification accompanying the initial and re-engagement contracts. The supplier's contract has now ended following completion of the improvement work.
- An IR35 assessment was not carried out when the consultant was re-engaged, because they would be carrying out the same work as when they was previously engaged. Any consultant working in improvement work will stop and start with pieces of work including auditing and other quality assurance areas. There is however no guidance in the 'Engagement of Additional Resources' procedure manual specifying what information and evidence of relevant due diligence checks should be obtained, prior to re-engaging someone for an off-payroll engagement. The Director of HR and CS and the Director of Finance approved the re-engagement without being aware that the original budget of £33,750 for this work had been exceeded by £17,100, with a further £13,200 paid by the time the re-engagement was identified by HR.
- A comprehensive Procurement Practice Note entitled 'Contracting for Professional and Consultancy Services' was written by the Head of Procurement in March 2021. It was uploaded on the Procurement Team's Sharepoint site but has not been publicised Council-wide.

## DETAILED FINDINGS AND RECOMMENDATIONS

5. We have not provided an overall audit opinion because this was a review into the engagement of one particular supplier, identified from our testing on the creditors' audit. The detailed findings arising from this review are set out below.

**REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK**

Recommendations and the risk associated with any control weaknesses identified, are detailed in the table at Appendix A, together with management’s responses and timescales for implementation.

6. The number of recommendations by risk rating are as follows:

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

**IR35 ASSESSMENT**

Initial engagement

7. The consultant was first engaged by the Council in November 2019. At that time their company was called Supplier B’ and they were the sole Director. A business case had been completed and submitted to HR by the Assistant Director, Children’s Social Care. An IR35 assessment was carried out by HR for the initial engagement. The assessment result was ‘Self-employed for tax purposes for this work’.

Re-engagement

8. In February 2021, HR identified from the monthly report of payments that a payment had been made to the consultant. HR recognised the name from the previous IR35 assessment and asked the Director and Assistant Director, Children’s Social Care by email for further information about this. They were informed that the work being performed was not different from the work performed during the original engagement. On that basis, a further business case was not requested and an IR35 assessment was not completed. Instead, the email exchange was sent to the Director of HR and CS and the Director of

## REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK

Finance who approved the off-payroll engagement for a further period. We have examined this and there is nothing in the information provided to suggest that another IR35 assessment would have produced a different result.

9. There were however two related matters which were not identified at the time of the re-engagement. Firstly, the original business case showed a budget of £33,750 with a maximum budget of 75 days, but expenditure for the first engagement totalled £50,850 with a total of 113 days incurred. This was contained within the overall improvement team who work with Children's Social Care. The HR guidance document 'Engagement of Additional Resources – Role of the Manager' states that 'If an interim assignment is going to last beyond its planned end date or to exceed its agreed budget, then HRIS and Reward team must be notified one month before the planned end date or as soon as the overspend is known. In either case a revised Business Case approved by the Service Director and Director of HR must be forwarded to HR and the process of approvals should follow the guidance as set out in the Engagement of Additional Resources – Procedure Manual.' We were unable to evidence that this had been done.

### Engagement of Additional Resources guidance

10. We noted that there is no guidance in the 'Engagement of Additional Resources – Procedure Manual' stating what process should be carried out if the supplier of an off-payroll engagement is re-engaged. In future, where an individual is re-engaged within a given period (e.g. twelve months) for the same work and the decision is made to not carry out another IR35 assessment, management need to identify what information should be presented instead to the Director of HR and CS and the Director of Finance to enable them to make a decision to approve or refuse that re-engagement.
11. The 'Engagement of Additional Resources – Procedure Manual' includes a flowchart of due diligence checks which should be carried out for an off-payroll engagement. These include certificates of Professional Indemnity and Public Liability insurance, bank account details, five years of references and (if required) VAT registration certificate and DBS check. The guidance does not however specify who should carry out these checks or when or what procedure is in place to evidence that they have been checked and are satisfactory. We have recommended that a review of the procedure manual should be undertaken to address this and the finding in paragraph 9 above. (Recommendation 1)

## REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK

### ENGAGEMENT OF THE CONSULTANT

#### Contract Procedure Rules – quotations/waiver

12. The procurement requirements and financial limits for awarding contracts are set out in Section 8.2 of Contract Procedure Rules. They state that for an estimated cost or value between £25,000 and £100,00 the sourcing procedure is a request for quotation to at least 3 and no more than 6 candidates. From our discussions and enquiries of the Director of Children's Services and Assistant Director, Children's Social Care, we have established that the consultant is an expert in a particular area of Children's Social Care and therefore no quotations were sought for this work due to the fact that this field of work is specialised in relation to the methodology used by regulators.
13. Whilst it may have been reasonable to estimate that the initial requirement was for £25,000 or less, which would only require one quote, at the point of re-engagement it was clear that cumulative spend would exceed that threshold. Therefore, either a Request for Quotes / tender process should have been undertaken; or formal authorisation to award the contract via exemption (with supporting business case demonstrating Value for Money using the Gateway template provided for this purpose) should have been obtained. Formal Chief Officer or Portfolio Holder approval should have been obtained for the exemption (given that the cumulative value was close to the threshold of £100k for which Portfolio Holder approval for exemptions is required).

#### Contract and specification

14. Section 8.6 of Contract Procedure Rules is entitled 'The Appointment of Consultants to Provide Services'. In summary, Section 8.6 sets out the rules to be followed when commissioning professional consultants including the scope of services to be provided, formal letter or contract of appointment and evidence of professional indemnity insurance by the consultant. We saw a copy of the contract for the initial engagement with the rate agreed but noted that it had not been signed by the consultant. The contract for the re-engagement was the same as the original one, in the name of the consultant's original company -Supplier B'. A new contract was drawn up and signed subsequently by the Assistant Director, Children's Social Care on 30 July 2021 and by the consultant on 6 August 2021, during this review. The contract signed by the consultant states that they have professional indemnity insurance and public liability insurance and sets the level of insurance cover required for each of these. We requested, but did not see, these insurances or the specification accompanying the initial and re-engagement contracts. The supplier's engagement and contract has now ended. We have included in the recommendation

## REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK

about reviewing the IR35 arrangements that assigning responsibility and the procedure for evidencing checks carried out needs to be put in place.

### Payment/fees

15. Section 6 of the contract (entitled 'Payment') states 'the Fees set out in Schedule 1', but there is no Schedule 1 at the end of the contract. Schedule 1 just says 'Confirmation email sent'. We noted that invoices for the re-engagement (four months after the initial engagement ended) showed an increase in the daily rate of £100 (22%). The invoices did not show an explanation for that. The Director of Children's Services and Assistant Director, Children's Social Care confirmed that they were aware and had agreed it in advance, but there was no evidence of a formal written agreement. They also confirmed that the performance of the consultant was reviewed at regular meetings between the Assistant Director for Children's Social Care and the Head of the particular area of Children's Social Care.

### Tax arrangements

16. Paragraph 8.6.4 of Contract Procedure Rules concludes 'The Officer commissioning the employment of a Consultant and/or responsible for the Approval of their employment shall ensure that the Consultant's tax arrangements or company structure are properly considered and do not result in any tax liability to the Authority'. We were able to see email exchanges which confirm that, when the consultant was re-engaged, the Director of Children's Services followed these rules correctly in asking Finance Directorate about paying the supplier's company bank account in a country of the European Union in Euros.
17. In response to this enquiry, the advice from the Council's Exchequer Services Contractor, subsequently confirmed by the Head of Financial Systems in Finance Directorate was that BACS payments made through the Council's financial system could only be made in British pound sterling. A member of Finance Directorate informed Children's Services that it was not cost effective to make these international payments via CHAPS. Subsequently, the supplier's invoices were paid in British pound sterling to the supplier's personal bank account in this country. After issuing the draft audit report, a discussion with senior management in Finance Directorate revealed that the cost is not as prohibitive as a member of Finance Directorate had originally told Children's Services. The email exchange following the original enquiry did not specify who, in Finance Directorate, had given authority for making payments in this way and it is unclear who has ultimate authority for deciding how international payments should be paid. (Recommendation 2)

**REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK**

18. The Director of Children’s Services and the Assistant Director, Children’s Social Care informed us that the consultant is a resident of that particular country in the European Union and pays all their taxes to that country’s Government. We have seen a bank transfer receipt, provided by the consultant, showing that the amount paid to them in May 2021 had been transferred in June to their company account in that particular country in the European Union. We have recommended that HR inform the Council’s tax advisors of the payment arrangement made by the Council in this case and seek advice from them about what further action we need to take to ensure that there is no tax liability for the Council. (Recommendation 3)

Procurement Practice Note

19. We found out that a comprehensive Procurement Practice Note entitled ‘Contracting for Professional and Consultancy Services’ had been written by the Head of Procurement in March 2021. It has been uploaded on the Procurement Team’s Sharepoint site but has not been publicised Council-wide. (Recommendation 4)

**FINANCE**

20. The total expenditure for the initial engagement and the re-engagement of this consultant is shown in the table below.

<b>TOTAL EXPENDITURE AGAINST BUDGET</b>		
Budget specified in business case	75 days	£33,750
Actual	193 days	£94,850

**REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK**

21. The consultant finished their engagement in August 2021. The cost centre from which the invoices were paid showed an overspend of £26,681 in 2019/20 and £26,995 in 2020/21. The Assistant Director, Children's Social Care, informed us that funding for this was provided from an amount of money set aside for inspection related work but we were unable to evidence that funds to cover the additional expenditure following the re-engagement of the consultant had been vired into that cost centre, or where that additional funding was held. The recommendation about reviewing the IR35 arrangements includes checking that sufficient funding has been made available before a supplier is re-engaged.
22. We noted that for 13 out of the 15 invoices paid, an iproc order had been raised after the invoice had been received. A recommendation has been made in the audit report of creditors relating to orders raised after an invoice has been received. There were numerous instances of that identified during our creditors' audit. We will also be providing advice to the Finance Directorate on expected controls in the new financial system to help mitigate the risk of this occurring in future.
23. We have not carried out an Internal Audit of the Council's arrangements for engaging consultancy services in recent years. As a result of the findings from this review we intend to carry out, as a separate exercise in the coming months, an audit review of a sample of current consultancy services which are in place Council-wide. This will replace the audit of professional and consultancy services which we were proposing to include in our 2022/23 Audit Plan.

**1. Review of the ‘Engagement of Additional Resources – Procedure Manual’**

**Finding**

We noted that there is no guidance in the ‘Engagement of Additional Resources’ procedure manual stating what process should be carried out if the supplier of an off-payroll engagement is re-engaged. This is relevant because HR will need to determine what information about the re-engagement is required before deciding (i) whether a further IR35 assessment should be carried out and (ii) what information needs to be presented to the Director of HR and CS and the Director of Finance to enable them to make a decision as to whether or not to approve the re-engagement. This should include information about the re-engagement such as confirming that sufficient funding has been made available, there is an agreed contract, specification and required insurance.

The procedure manual includes a flowchart of due diligence checks which should be carried out for an off-payroll engagement. These include certificates of Professional Indemnity and Public Liability insurance, bank account details, five years of references and (if required) VAT registration certificate and DBS check. The guidance does not however specify who should carry out these checks or what procedure is in place to evidence that they have been checked and are satisfactory. They are equally relevant where a supplier is re-engaged.

**Risk**

Senior management’s decision to approve an off-payroll engagement may be based on incomplete or inaccurate information and a lack of due diligence checks, leading to financial, legal and reputational implications for the Council.

**Recommendation**

The ‘Engagement of Additional Resources – Procedure Manual’ should be reviewed and revised by HR to set out:

- (i) the procedure to be followed and the information and evidence required if the supplier of an off-payroll engagement is engaged and

**Rating**

Priority 2

**REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK**

**DETAILED FINDINGS AND ACTION PLAN**

**REDACTED**

**APPENDIX A**

<p>(ii) the responsibility for carrying out and evidencing due diligence checks prior to an engagement. <i>(This recommendation refers to both an initial engagement and any re-engagement)</i></p>	
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>At present the managers have responsibility for undertaking relevant due diligence however HR are looking at options for centralising this work to have greater control. This will include the completion of the relevant due diligence checks, providing the off-payroll worker with the contract of services and status determination statement before the start of the engagement, all documentation being saved centrally and regular inhouse HR audits to ensure full compliance.</p> <p>HR Business Services and Reward Manager</p>	<p><b><u>Agreed timescale</u></b></p> <p>There is currently no agreed timescale at present due to budget constraints.</p>

REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK

DETAILED FINDINGS AND ACTION PLAN

2. Authority for deciding how international payments to suppliers should be made	
<p><b><u>Finding</u></b></p> <p>When Children’s Services asked about making payments in Euros to a new supplier based in a country of the European Union, it was confirmed that BACS payments could only be made in British pound sterling. Payment by CHAPS was considered but not proceeded with as it would not be cost effective to make international payments in this way. Therefore, the supplier’s invoices were paid in pound sterling to the supplier’s personal bank account in this country.</p> <p>We were however informed subsequently by senior management in Finance Directorate that the cost is not as prohibitive as a member of Finance Directorate had originally told Children’s Services. The email exchange following the original enquiry did not specify who, in Finance Directorate, had given authority for making payments in this way and it is unclear who has ultimate authority for deciding how international payments should be paid. The decision-making process within Finance Directorate for authorising international payments to suppliers needs to be clarified.</p> <p><b><u>Risk</u></b></p> <p>Payments to suppliers based overseas may not be made by the most appropriate method, taking into consideration the cost and operational process involved. An adequate audit trail may not be available to support these ‘one off’ decisions to evidence that the decision was taken at the approved/delegated level of management.</p>	
<p><b><u>Recommendation</u></b></p> <p>The Director of Finance should assign responsibility within Finance Directorate for deciding how international payments to suppliers based overseas should be made. Any decision should be formalised, attached to the supporting documents to evidence the decision and that approval was at an appropriate or delegated level, providing an adequate audit trail.</p>	<p><b><u>Rating</u></b></p> <p style="background-color: #90ee90; padding: 2px; display: inline-block;">Priority 3</p>

**REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK**

**DETAILED FINDINGS AND ACTION PLAN**

**REDACTED**

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<p><b><u>Management Response and Accountable Manager</u></b></p> <p>Responsibility for deciding on the best way to pay overseas suppliers will rest with the Head of Corporate Finance and Accounting. An audit trail of the decision will be maintained.</p> <p>Head of Corporate Finance and Accounting</p>	<p><b><u>Agreed timescale</u></b></p> <p>Implemented</p>
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**3. Payment arrangements and tax liability**

<p><b><u>Finding</u></b></p> <p>BACS payments to this supplier could only be made in British pound sterling and there was a large cost associated with making a payment in Euros via CHAPS to the supplier’s business bank account. Therefore, the supplier’s personal bank account in this country was entered on the supplier set up form and payments were made to that account instead.</p> <p><b><u>Risk</u></b></p> <p>The Council may be subject to an investigation and/or financial penalty from HMRC if it is found that tax regulations have been breached by making payment in this way.</p>
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<p><b><u>Recommendation</u></b></p> <p>HR inform the Council’s tax advisors of the payment arrangement made by the Council in this case i.e. paying a personal bank account in the UK, instead of a supplier’s company bank account abroad, and seek their advice</p>	<p><b><u>Rating</u></b></p> <p><b>Priority 2</b></p>
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**REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK**

**DETAILED FINDINGS AND ACTION PLAN**

**REDACTED**

**APPENDIX A**

about what further action the Council needs to take to ensure that there is no tax liability for the Council arising from this.	
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>The Council's tax advisors have been contacted and have confirmed that in their opinion, as the engagement was outside of the off-payroll working rules and the worker was based in a country of the European Union, there would be no liability for UK tax/NICs to be deducted from the payments.</p> <p>HR Business Services and Reward Manager</p>	<p><b><u>Agreed timescale</u></b></p> <p>N/A</p>

<b>4. Procurement Practice Note</b>
<p><b><u>Finding</u></b></p> <p>A comprehensive Procurement Practice Note entitled 'Contracting for Professional and Consultancy Services' was written by the Head of Procurement in March 2021. It has been uploaded on the Procurement Team's Sharepoint site but has not been publicised Council-wide.</p> <p><b><u>Risk</u></b></p> <p>There may be a lack of awareness of the procedures to be followed by officers when procuring professional services, leading to errors or gaps in control, an inconsistent approach or a breach of regulations resulting in legal action against the Council.</p>

**REVIEW OF THE ENGAGEMENT OF A SUPPLIER FOR CONSULTANCY WORK**

**DETAILED FINDINGS AND ACTION PLAN**

**REDACTED**

**APPENDIX A**

<p><b><u>Recommendation</u></b></p> <p>The Procurement Practice Note entitled 'Contracting for Professional and Consultancy Services' is publicised Council-wide via appropriate communication channels e.g. the next Corporate Leadership Team meeting, the next Managers' monthly briefing, the next quarterly contract managers' meeting, the Chief Executive's monthly newsletter, a Procurement Team Sharepoint news post.</p>	<p><b><u>Rating</u></b></p> <p>Priority 2</p>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p>A Procurement Practice Note will be sent, via email, to all Officers highlighting the guidance and providing links to the relevant Sharepoint page.</p> <p>Assistant Director Governance &amp; Contracts</p>	<p><b><u>Agreed timescale</u></b></p> <p>31 October 2021</p>

OPINION DEFINITIONS

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.



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

**REVIEW OF CREDITORS**

**Issued to:** Claudine Douglas-Brown, Assistant Director Exchequer Services  
Emma Richardson, Head of Financial Systems  
Peter Turner, Director of Finance (Final report only).

**Prepared by:** Trainee Auditor

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

**Date of Issue:** 13 September 2021

**Report No.:** CEX/05/2020

## REVIEW OF CREDITORS

### INTRODUCTION

1. This report sets out the results of our audit of creditors. 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 Council's Exchequer contractor is contracted to provide the creditors service, which is delivered using the Council's finance system, E Business Suite (EBS). Information is also extracted from number of Council maintained systems to produce and validate payment requests for various services and petty cash reimbursements.
3. The Exchequer Client Unit monitors the service provided by the Council's Exchequer contractor, as well as running various exception reports, such as the check for duplicate payments, and publishing the Council's expenditure for payments over £500 on the Council's website.
4. Support for EBS, including user administration, is provided by the Financial Systems Team.
5. We would like to thank all staff contacted during this review for their help and co-operation.

### AUDIT SCOPE

6. The original scope of the audit was outlined in the Terms of Reference and controls to mitigate following key risks were reviewed:
  - Payments may be made for goods and services which have not been received, or may not be accurate or timely
  - The setting up and amendment of suppliers' details, particularly bank account details may not be properly controlled, leading to fraudulent payments being made
  - Authority levels for the payments of goods and services are not set in line with financial regulations
  - Mechanisms are not in place to ensure that duplicate payments are avoided and/or detected
  - The ledger control account may not be reconciled to the creditors control account

**REVIEW OF CREDITORS**

7. The audit reviewed a sample of payments made to creditors, the process of set up and amendment of suppliers' details and the operation of controls during lockdown due to Covid-19. The recommendations made in the previous audit report were also followed up.
8. The audit covered the period between April 2020 and March 2021.

**AUDIT OPINION**

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

<b>AUDIT OPINION</b>	
<b>Substantial 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	6 (NB. 4 of these 6 recommendations result from our follow up testing and they are set out in Appendix B)	0

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**SUMMARY OF FINDINGS**

10. Controls noted to be in place and working well, based on the audit testing conducted, include:
  - All the payments sampled were authorised by the manager at correct authority level and VAT was claimed correctly where applicable.
  - Checks were in place to help prevent and detect duplicate payments.

## REVIEW OF CREDITORS

- Regular reconciliations of the creditors' control account were being undertaken.
- Invoices were scanned and retained for all transactions sampled to support the payments made.
- Changes made to the services and their delivery due to Covid-19 were documented and circulated to the relevant stakeholders.
- Expenditure exceeding £500 was published on the Council's website in compliance with the Local Government Transparency Code 2015.

11. We would like to bring to management attention the following issues in paragraphs 11 to 15:

- We found that for one payment, the authoriser was unable to confirm the amount paid was due because the signed copy of the contract could not be located.
- We could see evidence that the Council's Exchequer contractor had recorded details of checks carried out on supplier set up and amendments received but we found that the relevant section of one of the supplier set up forms in our sample had not been completed by the supplier, confirming the company number and whether it was VAT registered.
- We found that 3/14 samples had orders being raised retrospective to the invoices received for payment.
- We obtained an up-to-date list of authorised signatories and noted that it includes officers who have left the Council or are no longer serving in the roles assigned to them on the list.

12. Four of the sample of twenty payments made to creditors were from the Council's case management system. Testing confirmed that the order value matched with the net amount on the invoice and was in line with the agreed contract. One stream payment was selected to additionally check that payment for a sample of two clients agreed to the approved service agreements. This testing identified issues relating to the accuracy and completeness of information held on the case management system for one service user and has been referred to the Head of Service Placements and Brokerage to liaise with care management, to review and resolve. Internal Audit will be reporting separately to management on this issue and the remedial action to be taken as appropriate.

13. One out of five of the suppliers set up forms from our sample had not been completed correctly by the supplier. We noted that the supplier was based outside UK, but the details of the bank account to which the supplier had requested payment was a personal bank account based in the UK. We are looking into this and related matters concerning this supplier. When our enquiries are complete a separate report will be issued about this.

14. The recommendations made in the previous audit report were also followed up as part of this review. There was one priority 1 recommendation which had been implemented following publication of the previous report. There were seven other priority 2 and priority 3 recommendations made. The follow up findings and implementation status of these is detailed in the table at Appendix B below. Where

**REVIEW OF CREDITORS**

they have not been implemented, we have either re-recommended them or will revisit them as part of our audit advice on controls which should be included in the new version of the finance system.

15. The Council's Exchequer contractor introduced 'temporary arrangements to working processes' in response to the pandemic and these covered the areas of setting up and amending suppliers' accounts, invoice processing and checking. These should now be reviewed with Exchequer Services, revised and agreed and then incorporated into existing procedures. A recommendation to this effect has been raised as part of our follow up findings.

**DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

16. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and time scales for implementation. Appendix B details the follow up on the recommendations made in year 2018/19 audit report. Appendix C details the definition of the audit assurance and priority ratings.

REVIEW OF CREDITORS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

**1. Payments made to creditors**

**Finding**

We wanted to verify if the payments made to creditors were timely, after the goods and services had been received and in line with the agreed contract, where applicable. From a download of payments made to creditors between the period of April 2020 to March 2021, we selected a random sample of 20 payments and checked if:

- (i) the VAT had been claimed correctly, where applicable
- (ii) the order date preceded the invoice date, to identify if any orders were raised retrospective to the invoices received for payment.
- (iii) the order value matched with the net amount on the invoice and in line with the agreed contract
- (iv) the payments were made within a month of receiving the invoice
- (v) the payments were made after the services/goods were received
- (vi) payments over £500 were published on Council's website.

From our testing, we noted that for a payment of £115,627.58, the authoriser was unable to confirm that the amount paid was due because the signed copy of the contract could not be located.

Section 8.2.5 of Financial Regulations refers to the checks required before making payments as 'Certifying Officers are responsible for ensuring that adequate checks are performed and evidenced prior to the payment of an invoice to satisfy themselves that the payment is accurate and due to be paid.'

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**Risk**

Where the invoice amount cannot be verified with the agreed contract, payment may be made for an incorrect amount.

**Recommendation**

The Assistant Director Exchequer Services should ensure that authorising managers are reminded of their obligations under Financial Regulations in relation to the checking and authorisation of invoices.

**Rating**

Priority 2

REVIEW OF CREDITORS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>A reminder will be issued to all managers of their obligations under Financial Regulations in relation to the checking and authorisation of invoices.</p> <p>Assistant Director Exchequer Services</p>	<p>30/09/21</p>

<u>2. Controls for setting up and amendment of suppliers' details on the Council's finance system</u>
<p><b><u>Finding</u></b></p> <p>We selected a sample of suppliers who had been set up on the Council's finance system or had had their details amended within the previous twelve months. We obtained the supporting documentation for these additions or amendments and confirmed that the procedures for making them had been complied with and that the necessary authorisation and checks had been carried out. We found that the VAT section of one of the supplier set up forms in our sample had not been completed by the supplier, confirming the company number and whether or not it was VAT registered. We established subsequently that the services it provided were exempt from VAT.</p> <p>One of our sample of completed supplier set up forms was for a supplier based outside UK. It had been completed with a VAT number registered in that country, but the details of the bank account to which the supplier had requested payment was the supplier's personal bank account based in the UK. The form had been authorised at Director level. This may have tax implications for the Council and we are also looking into the procurement, expenditure and IR35 arrangements relating to this matter. A separate report is being prepared.</p> <p><b><u>Risk</u></b></p> <p>The Council is exposed to number of risks, including those of inappropriate suppliers being set up and mandate fraud.</p>

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**REVIEW OF CREDITORS**

**DETAILED FINDINGS AND ACTION PLAN**

**CONFIDENTIAL**

**APPENDIX A**

<u><b>Recommendation</b></u>	<u><b>Rating</b></u>
Management should ensure that all sections of the supplier set up form have been completed correctly and the taxable supply status is established before a supplier is set up on the Council's finance system.	<b>Priority 2</b>
<u><b>Management Response and Accountable Manager</b></u>	<u><b>Agreed timescale</b></u>
Agreed  The Operations Manager of the Council's Exchequer Contractor	30/09/21

REVIEW OF CREDITORS

CONFIDENTIAL

FOLLOW UP OF PREVIOUS RECOMMENDATIONS

APPENDIX B

No	Original recommendation and priority rating	Follow up finding	Further recommendation	Management response with agreed time scale
1	<p><u>Supplier set up procedures</u></p> <p>Management should:</p> <p>(i) critically review the supplier set up process and</p> <p>(ii) in the interim, and as a matter of urgency, put processes in place to conduct robust bank mandate checks.</p> <p><b>Priority 1</b></p>	<p>Implemented</p> <p>We noted that the supplier set up process was reviewed, and recommended changes were implemented at the time of the release of last year's audit report.</p> <p>We also noted that due to pandemic, some changes to the supplier set up and amendment process have been agreed between the Exchequer Client Unit and the Council's Exchequer contractor.</p>	<p>The 'temporary arrangements to working processes' introduced by the Council's Exchequer contractor in response to the pandemic, and which cover the set up and amendment to suppliers' accounts, invoice processing and checking, should now be reviewed with Exchequer Services, revised and agreed and then incorporated into existing procedures.</p> <p><b>Priority 2</b></p>	<p>A meeting has been arranged for 21<sup>st</sup> September 2021 between the Council's Exchequer contractor and the Assistant Director Exchequer Services to review the temporary arrangements.</p>
2	<p><u>Retrospective Orders</u></p> <p>A retrospective Purchase Orders report should be run on a regular basis by a designated officer in Finance Directorate. The results should be provided to Directors,</p>	<p>Not implemented</p> <p>When this was discussed with the Contract and Operations Manager (Exchequer), he confirmed that there have been</p>	<p>No further recommendation made here but the existing recommendation will stay open until implementation of the finance system in April 2022. It is being revisited as part of our audit advice on controls which</p>	<p>Not applicable</p>

REVIEW OF CREDITORS

CONFIDENTIAL

FOLLOW UP OF PREVIOUS RECOMMENDATIONS

APPENDIX B

No	Original recommendation and priority rating	Follow up finding	Further recommendation	Management response with agreed time scale
	<p>who should enquire from the relevant officer as to why an order was raised retrospectively.</p> <p><b>Priority 2</b></p>	<p>issues with the accuracy of the report, which has delayed this. Covid-19 has contributed to this delay as he was relying on the support from the Financial Systems Team to get this resolved. The new finance system will not rely on that finance tool and he will ensure that this is included as a requirement of the new system.</p>	<p>management should put in place in the new system.</p>	
3	<p><u>Remittance advice</u></p> <p>Management should ensure that:</p> <p>(i) The remittance advice for payments processed via the case management system is amended to not detail personal information, (i.e. include a reference number instead of a client's name) and</p> <p>(ii) a more secure method of communicating the remittance</p>	<p>Recommendation superseded.</p> <p>Please refer to the Contract and Operations manager's comments below.</p> <p>The Contract and Operations Manager (Exchequer) confirmed that they have been unable to achieve a satisfactory resolution as the system provider could not</p>	<p>Partly implemented</p> <p>Management should examine the financial processes of the new Care Finance System and evidence that it will not allow Remittance Advices containing personal information to be sent to providers.</p> <p><b>Priority 2</b></p>	<p>The remittance advices to be issued from the system will be reviewed to ensure they do not contain personal information.</p> <p>The Contract and Operations Manager (Exchequer)</p> <p>31/10/21</p>

REVIEW OF CREDITORS

CONFIDENTIAL

FOLLOW UP OF PREVIOUS RECOMMENDATIONS

APPENDIX B

No	Original recommendation and priority rating	Follow up finding	Further recommendation	Management response with agreed time scale
	<p>advice between the Council and the provider is put in place.</p> <p><b>Priority 2</b></p>	<p>amend the report. However, during the pandemic they have not been able to send out remittance advices as this is a manual process requiring staff presence in the office. The new Care Finance System will allow providers to access details via a portal so Remittance Advices will no longer be sent. This is still to be evidenced, but verbal assurance has been given.</p>		
4	<p>Management should ensure that 'Corporate Authorised Signatories' forms should not be processed unless fully completed.</p> <p><b>Priority 2</b></p>	<p>Not implemented</p> <p>We obtained an up-to-date list of authorised signatories from the Council's Exchequer contractor. We noted that it includes officers who have left the Council or are no longer serving in the roles assigned to them on the list.</p> <p>Whilst we acknowledge that the majority of orders and payments</p>	<p>The current authorised signatory list needs to be updated to identify and remove those individuals who have left or have changed roles. The Assistant Director Exchequer Services should make arrangements for this to be implemented.</p> <p>Management should then review the process for updating the list of</p>	<p>Agreed.</p> <p>The current authorised signatory list will be reviewed and updated to remove those individuals who have left or have changed roles and will be kept updated with information received from HR.</p>

REVIEW OF CREDITORS

CONFIDENTIAL  
APPENDIX B

FOLLOW UP OF PREVIOUS RECOMMENDATIONS

No	Original recommendation and priority rating	Follow up finding	Further recommendation	Management response with agreed time scale
		<p>made by the Council are generated through the iProcurement system. There is, nevertheless, a need to ensure that for non-iProc orders and transactions the information held on the authorised signatories list is accurate and complete.</p>	<p>authorised signatories maintained by the Council's Exchequer contractor. This will require liaison with HR and the Head of Financial Systems (for iProc authorisations).</p> <p><b>Priority 2</b></p>	<p>The Contract and Operations Manager (Exchequer)/ The Council's Exchequer Contractor's Operations Manager</p> <p>30/11/21</p> <p>Going forward we will look to see if this can be managed in the new finance system through workflow as there is a need to move away from physical signatures with Council employees now working remotely.</p> <p>Assistant Director Exchequer Services/The Contract and Operations Manager (Exchequer)</p> <p>01/04/22</p>
5	<p><u>Access to Council's financial system/ iProc</u></p>	<p>Not implemented</p>	<p>See recommendation 4 above.</p>	<p>See management response for recommendation 4 above.</p>

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REVIEW OF CREDITORS

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APPENDIX B

FOLLOW UP OF PREVIOUS RECOMMENDATIONS

No	Original recommendation and priority rating	Follow up finding	Further recommendation	Management response with agreed time scale
	<p>Management should ensure that:</p> <ul style="list-style-type: none"> <li>(i) new iProc users or changes to iProc user accounts should only be set up and processed if in accordance with the Council's authorised signatory list and</li> <li>(ii) the iProc accounts of staff who have left should be properly disabled.</li> </ul> <p><b>Priority 2</b></p>	<p>In response to following up this recommendation, the Head of Financial systems has confirmed that "the new iProc approver users are checked against the authorised signatory list. Where they are missing, they send the form to them to complete and ask them to forward to the Supplier Management Team.</p> <p>HR now sends them a monthly leavers report which they check and end the users."</p> <p>Although, we did not check if the new iProc users or changes to iProc user accounts were set up and processed in accordance with the Council's authorised signatory list and if the iProc accounts of staff who have left were disabled, we noticed that the most up to date authorised signatory list sent to us by the</p>	<p><b>Priority 2</b></p>	

REVIEW OF CREDITORS

CONFIDENTIAL

FOLLOW UP OF PREVIOUS RECOMMENDATIONS

APPENDIX B

No	Original recommendation and priority rating	Follow up finding	Further recommendation	Management response with agreed time scale
		Council's Exchequer contractor included officers who have left the Council or have changed their roles.		
6	<p><u>Use of AP1 payment forms</u></p> <p>The use of AP1 payment forms to process transactions that do not meet the criteria specified in Paragraph 6.7 (1), (ii) and (iii) of the Financial Regulations and Procedures should be critically reviewed.</p> <p>A list of exceptions as agreed by the Director of Finance should be made available to the Council's Exchequer contractor staff to enable them to manage the use of AP1's.</p> <p><b>Priority 2</b></p>	<p>Not implemented</p> <p>The Assistant Director Exchequer Services has informed us that it will be implemented by 30/09/21.</p>		<p>This recommendation will be implemented by 30/09/21.</p> <p>Assistant Director Exchequer Services</p>

REVIEW OF CREDITORS

CONFIDENTIAL

FOLLOW UP OF PREVIOUS RECOMMENDATIONS

APPENDIX B

No	Original recommendation and priority rating	Follow up finding	Further recommendation	Management response with agreed time scale
7	<p><u>iProc guidance and training</u></p> <p>Management should review the general guidance and training available to staff on the use of iProc, to help ensure that staff comply with expected controls and achieve desired objectives.</p> <p><b>Priority 3</b></p>	<p>Partly implemented</p> <p>The Head of Financial systems confirmed to us that the iProc procedure notes are on our public SharePoint site.</p> <p>Upon checking the SharePoint, we noted that iProc procedure notes (i.e. procedure for raising, receipting, cancelling an order), and relevant forms were available on the Financial Systems – Public page. However, a user guide and links to other relevant guidance, (for example HMRC self-employed and IR35 rules or the Council’s tender and quote requirements) were not seen.</p>	<p>No further recommendation made here but the existing recommendation will stay open until implementation of the new finance system in April 2022. Training and guidance for users is being revisited as part of our audit advice on controls which management should put in place in the new system.</p>	

REVIEW OF CREDITORS

CONFIDENTIAL  
APPENDIX B

FOLLOW UP OF PREVIOUS RECOMMENDATIONS

No	Original recommendation and priority rating	Follow up finding	Further recommendation	Management response with agreed time scale
8	<p><u>Vacation rules</u></p> <p>Management should confirm whether vacation rules are enabled or not and controls should be put in place to ensure that authorised signatory delegated limits are not by-passed.</p> <p><b>Priority 3</b></p>	<p>Not implemented</p> <p>The Head of Financial Systems confirmed to us that Vacation rules do not work on the current set up. It will be reviewed as part of the implementation of new finance system.</p>	<p>No further recommendation made here but the existing recommendation will stay open until implementation of the new finance system in April 2022. Vacation rules will be revisited as part of our audit advice on controls which management should put in place in the new system.</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.

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**INTERNAL AUDIT FINAL REPORT  
CHIEF EXECUTIVES DEPARTMENT**

**REVIEW OF HOUSING BENEFITS 2019-20**

**Issued to:** Jayne Carpenter, Revenues & Benefit Manager,  
Claudine Douglas Brown, Assistant Director, Exchequer Services,  
Peter Turner, Director of Finance, (Final Report only)

**Prepared by:** Principal Auditor

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

**Date of Issue:** July 14<sup>th</sup> 2021

**Report No.:** CEX/09/2019/AU

## REVIEW OF HOUSING BENEFITS

### INTRODUCTION

1. This report sets out the results of our audit of Housing Benefits. The audit was carried out as part of the work specified in the 2019-20 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The completion of this review was affected by the covid pandemic and issuing of this report was delayed.
3. Housing Benefit is a national welfare benefit, which helps people on a low income pay their rent. Those that cannot claim Housing Benefit may be able to claim Universal Credit.
4. You can only claim Housing Benefit if:
  - You are a pensioner
  - You live in temporary/homeless accommodation, supported accommodation or in a refuge.
5. If you meet the criteria for Housing Benefit, you will be unable to claim if:
  - you have savings of over £16,000, unless you are aged 60 or over and getting the 'guarantee credit' of Pension Credit
  - you live in the home of a close relative
  - you are a full-time student (unless you're disabled or have children)
  - you are an asylum seeker or are sponsored to be in the UK

If you live with a partner or civil partner, only one of you can get housing benefit.
6. Applicable regulations are the Housing Benefit Regulations 2006 and the Housing Benefit & Council Tax Benefit (Consequential Provisions) Regulations 2006. This review concentrates on Housing Benefit claims only.
7. We would like to thank everyone contacted during this review for their help and co-operation.

## REVIEW OF HOUSING BENEFITS

### AUDIT SCOPE

8. The original scope of the audit was outlined in the Terms of Reference issued on 12/10/2020. This audit was delayed due to the Covid 19 pandemic and this audit was completed alongside the 2020/21 Housing Benefit Audit.
9. The key risk areas identified on the terms of reference for review were :-
  - Changes in circumstances may not be properly supported by valid documentation or assessed in line with policies and procedures and properly processed
  - Reconciliations may not be undertaken.
  - Previous audit recommendations may not have been implemented
  - Review any revised service delivery arrangements put in place in recent months, as a result of COVID-19 pandemic.
10. The performance results for March 2020 are as follows:
11. 'In terms of Housing Benefit processing times, March 2020 has seen a negative increase from 2.91 days to 5.29 days against a monthly profiled target of 13 days (yearly target 13 days). New claims were processed on average in 16.91 days (13.11 last month) and Change events were processed on average in 4.76 days (2.67 last month). The increase in days is attributed to the interruption caused by Covid-19 during the second half of the month, due to changes in work patterns and locations.
12. The percentage of claims processed within 14 days (PM13) was above the 95% target, at 97.83%.
13. The final figure for Local Authority error overpayments is £208,413 for 2019/20 and achieves 100% subsidy.
14. Outstanding work remains below contractual target for both new and pended items'.

**REVIEW OF HOUSING BENEFITS**

**AUDIT OPINION**

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

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

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

**SUMMARY OF FINDINGS**

16. A sample of 20 cases were selected for testing. The samples were selected from the different areas of coverage such as overpayments, backdated claims, change in circumstances and appeals.

17. We would like to bring to management’s attention the following:-

In four of the appeal cases sampled, the Authority was found not to be compliant with the DWP’s three month appeal decision timeframe. □

## REVIEW OF HOUSING BENEFITS

### DETAILED 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.

REVIEW OF HOUSING BENEFITS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

<b>1. Appeals</b>	
<p><b><u>Finding</u></b></p> <p>In 4 appeal cases, the three month appeal decision timeframe had not been complied with. (Samples 13, 14,15 and 16)</p> <p><b><u>Risk</u></b></p> <p>Where appeal decisions are not made within the three month timeframe, in line with the DWP guidelines, there is a risk that arrears increase and may be more difficult to recover.</p>	
<p><b><u>Re-Recommendation *</u></b></p> <p>Appeals should be regularly monitored and, where appropriate, actions taken to help ensure that the three month deadline is met.</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>Response: Regular monitoring is undertaken. The 3 month timeframe was adopted in line with the DWP good practice guide but it should be noted that turnaround time can be affected by the complexity of the case and the requirement to seek additional informational information.</p> <p>Accountable Manager: Revenues and Benefits Manager</p>	<p><b><u>Agreed timescale</u></b></p> <p>On-going</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.

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**INTERNAL AUDIT FINAL REPORT  
CHIEF EXECUTIVES DEPARTMENT**

**REVIEW OF HOUSING BENEFITS 2020-21**

**Issued to:** Jayne Carpenter, Revenues & Benefit Manager,  
Claudine Douglas Brown, Assistant Director, Exchequer Services,  
Peter Turner, Director of Finance, (Final Report only)

**Prepared by:** Principal Auditor

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

**Date of Issue:** July 14<sup>th</sup> 2021

**Report No.:** CEX/06/2020

## REVIEW OF HOUSING BENEFITS

### INTRODUCTION

1. This report sets out the results of our audit of Housing Benefits. 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 completion of this review was affected by the covid pandemic and issuing of this report was delayed.
3. Housing Benefit is a national welfare benefit, which helps people on a low income pay their rent. Those that cannot claim Housing Benefit may be able to claim Universal Credit.
4. You can only claim Housing Benefit if:
  - You are a pensioner
  - You live in temporary/homeless accommodation, supported accommodation or in a refuge.
5. If you meet the criteria for Housing Benefit, you will be unable to claim if:
  - you have savings of over £16,000, unless you are aged 60 or over and getting the 'guarantee credit' of Pension Credit
  - you live in the home of a close relative
  - you are a full-time student (unless you're disabled or have children)
  - you are an asylum seeker or are sponsored to be in the UK

If you live with a partner or civil partner, only one of you can get housing benefit.
6. Applicable regulations are the Housing Benefit Regulations 2006 and the Housing Benefit & Council Tax Benefit (Consequential Provisions) Regulations 2006. This review concentrates on Housing Benefit claims only.
7. We would like to thank everyone contacted during this review for their help and co-operation.

## REVIEW OF HOUSING BENEFITS

### AUDIT SCOPE

8. The original scope of the audit was outlined in the Terms of Reference issued on 12/10/2020. This audit was delayed due to the Covid 19 pandemic and was completed alongside the 2019-20 Housing Benefit Audit.
9. The key risk areas identified on the terms of reference for review were :-
  - Changes in circumstances may not be properly supported by valid documentation or assessed in line with policies and procedures and properly processed
  - Reconciliations may not be undertaken.
  - Previous audit recommendations may not have been implemented
  - Review any revised service delivery arrangements put in place in recent months, as a result of COVID-19 pandemic.
10. The performance results for March 2021 are as follows:
11. 'In terms of Housing Benefit processing times, March 2021 has seen a positive decrease from 6.81 days to 2.67 days for combined New Claims and Changes. New claims were processed on average in 12.89 days (13.99 last month) and Change events were processed on average in 2.54 days (6.41 last month).
12. The percentage of claims processed within 14 days was 97.60%.
13. The final figure for Local Authority error overpayments is £166,131 and achieves 100% subsidy.
14. The final total DHP expenditure was £893,285.11 leaving £3.89 unspent.
15. Although outstanding work volumes remain above target, due to significant increases in claims and correspondence as a result of the Covid-19 pandemic, volumes have reduced for the third consecutive time on the previous month'.

**REVIEW OF HOUSING BENEFITS**

**AUDIT OPINION**

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

<b>AUDIT OPINION</b>	
<b>Substantial 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	0	0

**SUMMARY OF FINDINGS**

17. There are no findings, and therefore no Appendix A.

**DETAILED 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.

**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.
<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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## Financial Services

Civic Centre, Stockwell Close, Bromley BR1 3UH

Telephone: 0208 464 3333

Direct Line: 0208 313 4886

Email: [david.hogan@bromley.gov.uk](mailto:david.hogan@bromley.gov.uk)

Fax: 020 8313 4335

Internet: [www.bromley.gov.uk](http://www.bromley.gov.uk)

**REDACTED**

Public Health England

Email to:

*(Address redacted)*

Dear Sir,

**Ring-fenced HIV PrEP Grant Determination 2020/21: Pre-Exposure Prophylaxis**  
**Grant No: 31/5179**

Further to the conditions contained within Annex A published on 25<sup>th</sup> September 2020 for the above grant, which state that **'The statement of grant usage submitted to Public Health England must be accompanied by a report from the authority's chief executive or chief finance officer setting out whether he or she has received an audit opinion from the authority's chief internal auditor that he can provide reasonable assurance that the statement of grant usage, in all material respects, fairly presents the eligible expenditure in the period 1 April 2020 to 31 March 2021 in accordance with the definitions and conditions in this determination'**.

To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Pre-Exposure Prophylaxis Grant No 31/5179 have been complied with. The data from the tariff validation system, whilst not validated by Internal Audit, reflects that services with a tariff value of £48,937 were provided during the 2020/21 financial year and, in line with the London Sexual Health Programme's agreed approach to routine commissioning of PrEP, a further £4,665 of online testing expenditure is estimated to have been incurred for the same period. Based on this methodology, the eligible expenditure for the programme during 2020/21 is £53,602.

Yours faithfully,

Signed

*(Signature redacted)*

**David Hogan**

Head of Audit & Assurance

**Date:- 23<sup>rd</sup> June 2021**

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## INTERNAL AUDIT FINAL REPORT

### CHILDREN'S SOCIAL CARE

#### INTERNAL AUDIT REVIEW OF THE SUPPORTING FAMILIES CLAIM FOR THE PERIOD 1 APRIL 2021 TO 30 SEPTEMBER 2021

**Issued to:** Rachel Dunley, Head of Service Early Intervention and Family Support  
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, Children, Education and Families  
Head of Audit and Assurance

**Prepared by:** Trainee Auditor

**Reviewed by:** Principal Auditor

**Date of Issue:** 6 October 2021

**Audit ref:** PEO/03/2021

**INTRODUCTION**

1. This report sets out the results of our audit testing of a sample of individual claims for the claim period between 1 April 2021 and 30 September 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 previously named Troubled Families Programme (now renamed as the Supporting Families Programme) issued in January 2018 by the Ministry of Housing, Communities and Local Government (now called the 'Department for Levelling Up, Housing and Communities') sets out the 'Principles for Internal Audit'. Following these principles, we selected a sample of 10% of claims submitted for the six-month period ended 30 September 2021. This was to ensure continuity of testing from the previous claim period.

**METHODOLOGY**

4. There were 143 individual claims closed between 1 April 2021 and 30 September 2021 and our sample for checking consisted of 15 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.

<b>AUDIT OPINION</b>
<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 14 out of 15 claims in our sample met the relevant criteria for a claim to be made. For the remaining claim, in our opinion the indication from the practitioner that 'significant progress' had been met was misleading. The Intelligence and Operations Lead agreed with us, removed the claim from the list and replaced it with another claim which had been closed and set aside to be claimed for in the next reporting period. She is addressing this

issue for future claims by adding an option to the form to make it clear where a case has been referred to specialist services instead. We will confirm that this has been done when we audit a sample of claims in the next claim window in March 2022.

6. We also checked to confirm that the families in our sample had not been claimed for previously. No such instances were identified. We verified that the total amount claimed for payment by results for the 143 individual claims submitted between 1 April 2021 and 30 September 2021 was £114,400. As a result of our testing there are no recommendations arising from this review.
7. Finally, we would like to thank everyone contacted during this review for their help and co-operation.

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**FINAL INTERNAL AUDIT REPORT**

**EDUCATION DEPARTMENT**

**REVIEW OF MARJORIE McCLURE SCHOOL**

**Issued to:** Mrs R Cottage, Headteacher  
Mrs D Packer, School Business Manager  
Mr A Stammers, Chair of Governors (final only)  
Mr J Nehra, Director of Education (final only)

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

**Date of Issue:** 6<sup>th</sup> October 2021

**Report No.:** PEO/10/2020

## REVIEW OF MARJORIE McCLURE SCHOOL

### INTRODUCTION

1. This report sets out the results of our audit of Marjorie McClure School. The audit was carried out as part of the work specified in the 2021-22 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 School Business Manager (SBM). The standard Internal Audit Questionnaire has been revised for 2021/22 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 SBM, 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. The audit review was originally started in 2020/21 but due to COVID, auditor availability due to other audit priorities and timetabling the review during term time the audit was restarted and completed in September 2021.
4. We would like to thank all staff contacted during this review for their help and co-operation.

### AUDIT SCOPE

5. The original scope of the audit was outlined in the Terms of Reference.
6. 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 MARJORIE McCLURE SCHOOL

AUDIT OPINION

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

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

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

SUMMARY OF FINDINGS

8. 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: -
- Online HMRC assessments had not been completed for the engagement of three individuals who had been paid directly for services delivered.
  - It is acknowledged that the Contract Register is work in progress and that the SBM is reviewing this document. The contract register should include all contractual and service level agreements, and detail annual and whole life values. The register should be reported to Governors annually to allow scrutiny, challenge and periodically test the market to ensure continued value for money when contracts have been rolled over.

## REVIEW OF MARJORIE McCLURE SCHOOL

- Two out of 10 payments tested identified contracts extended in 2021 that exceeded the financial thresholds for competitive quotes and in the case of one 3-year contract with a provider, competitive tendering. Similarly, the school's Scheme of Financial Delegation sets out that Governors should approve expenditure exceeding £5K. In neither case was compliance to Financial Regulations and Scheme of Delegation evidenced nor was a waiver process evidenced to support non-compliance.
  - Although there are no current external hiring's the lettings policy needs to be updated; the Council is no longer the school's insurer.
  - The two procurement cards are allocated to the SBM and the Personnel Manager. The SBM completes the reconciliation of expenditure to the monthly card statement to be certified by the Headteacher. The reconciliation should be completed by a third officer, independent to the cardholder, to comply with Financial Regulations 2020 7.5.1 (d)
  - The annual stock take and certification of the asset register has not been completed.
  - Committee minutes do not document the opportunity for Governors to declare any interests at the start of the meeting. Finance and Resources (F&R) minutes of 5/11/2020 show that a governor would meet the SBM and Headteacher prior to committee to discuss the budget; successive minutes have not documented feedback from these meetings. The FGB minutes do not include any feedback from the F&R subcommittee to allow all Governors an overview of financial management.
9. The pre audit questionnaire states that the school's IT provider is responsible for back up and protection of systems. Internal Audit have issued a cyber security awareness self-assessment for the school to complete. The questionnaire should prompt discussion with staff and governors to assign roles and responsibilities and ensure adequate protection should the school be subject to a cyber-attack. This should include any specific insurance cover. Although the responsibility has been passed to the IT provider, the risk remains with the school and given recent ransomware attacks on education establishments the threat is topical and should be reviewed as a priority.
10. The pre audit questionnaire set out the arrangements to account for COVID expenditure and funding. Although this was not reviewed during this audit it was noted that the school had already utilised electronic processes to reduce the handling of paper documents and that signatories had been on site during the pandemic to negate the need for any interim changes to procedures.
11. We would like to thank all staff at the school for their help and cooperation during the audit.

**REVIEW OF MARJORIE McCLURE SCHOOL**

**DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

12. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified and recommendations are detailed in Appendix A. Appendix B defines the audit opinion and recommendation rating.

1.HMRC – IR35 Payments	
<p><b><u>Finding</u></b></p> <p>From the bank history a sample of 8 payments made to individuals was selected for audit examination. The SBM confirmed that 5 were bursary payments to pupils and therefore excluded from the review. Of the remaining 3, 2 were for supply teachers (£440 and £468) and 1 to an individual to deliver first aid training (£1,600).</p> <p>The HMRC online assessment had not been completed for any of the three.</p> <p>The SBM confirmed that these payments have not been repeated however the procedure to engage off payroll staff must be implemented to ensure compliance to IR35 regulations for all current and future procurement and payments.</p> <p><b><u>Risk</u></b></p> <p>Financial penalty for noncompliance to HMRC Regulations (IR35)</p>	
<p><b><u>Recommendation</u></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><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>To be done in future as and when required by SBM</p>	<p><b><u>Agreed timescale</u></b></p> <p>As and when required.</p>

**REVIEW OF MARJORIE McCLURE SCHOOL**  
**DETAILED FINDINGS AND ACTION PLAN**

**CONFIDENTIAL**

**APPENDIX A**

<b><u>2. Contract Register</u></b>	
<b><u>Finding</u></b>	
<p>It is acknowledged that the Contract Register is work in progress and that the SBM is reviewing this document. As the document is revised and updated all contractual arrangements and agreements should be included so that the contract register becomes a comprehensive document of financial commitment to facilitate financial planning, decision making and an early alert of contracts due for action, extension, or retendering. The current contract register cites most contracts as being “continuous unless cancelled”; periodic market testing should be evidenced to ensure continued value for money. There was no evidence that the register is routinely reported to Governors.</p>	
<b><u>Risk</u></b>	
<p>Inadequate information relating to contractual arrangements is available to allow timely renewal or retendering  Lack of market testing and competitive tendering may impact on value for money</p>	
<b><u>Recommendation</u></b>	<b><u>Rating</u></b>
<p>The contract register should include all contractual agreements and service level agreements with annual and whole life contract values. The register should be reported to Governors annually to allow scrutiny, challenge, and periodic market testing to ensure continued value for money specifically for contracts that have been rolled over and not subject to competitive tendering.</p>	<div style="border: 1px solid black; background-color: yellow; padding: 2px; display: inline-block;"><b>Priority 2</b></div>
<b><u>Management Response and Accountable Manager</u></b>	<b><u>Agreed timescale</u></b>
<p>Register to be updated and reported to governors by SBM</p>	<p>By December 2021</p>

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<b><u>3. Payments over £5K</u></b>	
<b><u>Finding</u></b>	
<p>Two of the 10 payments selected for audit examination identified contracts that were extended in 2021. The value of these contracts exceeded the threshold for competitive quotes (£5k to £100K) and in the case of the one contract the threshold for competitive tendering (&gt;£100K). The school's Scheme of Delegation (Financial) sets out that Governors should approve expenditure exceeding £5K. In neither case was compliance to Financial Regulations or the Scheme of Delegation evidenced nor was a waiver process completed.</p>	
<b><u>Risk</u></b>	
<p>Payments may not be made in compliance with Financial Regulations and the School's own procedures Challenge from competing providers for the procurement of goods or services.</p>	
<b><u>Recommendation</u></b>	<b><u>Rating</u></b>
<p>All expenditure should be processed to comply with Financial Regulations and then to locally agreed conditions set out in the School's Scheme of Delegation. Any exemption to Financial Regulations must be supported by a waiver signed by both the Headteacher and the Chair of Governors</p>	<div style="border: 1px solid black; background-color: yellow; padding: 5px; display: inline-block;"><b>Priority 2</b></div>
<b><u>Management Response and Accountable Manager</u></b>	<b><u>Agreed timescale</u></b>
<p>The contract identified was a specialist provision that was removed by Bromley, so we had to buy in ourselves, however it was not over £100k. This provision must be via the local authority NHC to ensure we have consistency and access to NHS data and records. In future for any such provision the SBM will ensure there is a waiver as we are a specialist school and as such need specialist provision. SBM</p>	<p>As and when required.</p>

<b><u>4. Lettings Policy</u></b>	
<b><u>Finding</u></b>	
<p>The Lettings Policy incorrectly states that Council is the school’s insurer. This will need to be updated to show the current insurers and confirm the insurance cover regarding lettings if a hirer does not have their own policy for Public Liability. It is acknowledged that there are currently no external hirings however the application form will also need to be updated with current insurance arrangements before any lettings are accepted.</p>	
<b><u>Risk</u></b>	
<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>	
<b><u>Recommendation</u></b>	<b><u>Rating</u></b>
<p>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>	<div style="border: 1px solid black; background-color: #90EE90; padding: 5px; display: inline-block;">Priority 3</div>
<b><u>Management Response and Accountable Manager</u></b>	<b><u>Agreed timescale</u></b>
<p>The SBM has revised the lettings policy and it will go to the next F&amp;R committee. Our insurance does cover lettings.</p>	<p>Autumn Term 2021</p>

**REVIEW OF MARJORIE McCLURE SCHOOL**  
**DETAILED FINDINGS AND ACTION PLAN**

**CONFIDENTIAL**

**APPENDIX A**

<b><u>5. Procurement Card</u></b>	
<b><u>Finding</u></b>	
<p>The two procurement cards are allocated to the SBM and Personnel Manager secured in the school office. Audit testing for a sample month evidenced supporting documentation for each transaction, summarised on a transaction log and reconciled to the bank statement. The SBM is the primary user of credit card expenditure and completes and certifies the reconciliation prior to the Headteacher authorising the summary document. Financial Regulations 7.5.1 (d) require the reconciliation to be completed by an officer, independent of the cardholder. Having three officers involved in the process also complies to the payment controls also set out in Financial Regulations.</p>	
<b><u>Risk</u></b>	
<p>Unauthorised expenditure incurred by the school</p>	
<b><u>Recommendation</u></b>	<b><u>Rating</u></b>
<p>The school should consider a third officer to be part of the procurement card process. Given the SBM is the primary cardholder and user this officer would complete the reconciliation of transaction to bank statement and ensure all entries are supported by adequate documentation.</p>	<div style="border: 1px solid black; background-color: yellow; padding: 2px; display: inline-block;"><b>Priority 2</b></div>
<b><u>Management Response and Accountable Manager</u></b>	<b><u>Agreed timescale</u></b>
<p>This will be actioned – Personnel Manager to be the signatory.</p>	<p>Immediate</p>

**REVIEW OF MARJORIE McCLURE SCHOOL**  
**DETAILED FINDINGS AND ACTION PLAN**

**CONFIDENTIAL**

**APPENDIX A**

<b><u>6. Asset Management</u></b>	
<b><u>Finding</u></b>	
<p>Given the audit was completed remotely there was no opportunity to complete physical checks on assets held. The audit relied on the self-assessment declared by the school which confirmed that the asset registers were maintained on the school's finance system and inventory lists and included detailed information relating to serial/model numbers, acquisition date and location. It was also confirmed that there has not been a recent stock take, primarily due to the impact of COVID 19. A stock take will need to be completed as part of the preparation to move to the new build site and at this point the Headteacher should sign the register as an accurate record of all assets held by the school.</p>	
<b><u>Risk</u></b>	
Loss of assets from school premises.	
<b><u>Recommendation</u></b>	<b><u>Rating</u></b>
The annual stock take should be completed when resources are available to allow the Headteacher to certify that all assets are accounted for and that the stock registers accurately reflect assets held by the school. The stock list will be an important document to account for assets when the school transfer to the new site.	<b>Priority 3</b>
<b><u>Management Response and Accountable Manager</u></b>	<b><u>Agreed timescale</u></b>
The SBM has asked office staff to start the process of annual stock take.	Aim to get it completed Autumn term 2021 if not then by Spring Term 2022

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<u>7. Governance</u>	
<b><u>Finding</u></b>	
<p>The minutes of the previous 3 committee meetings for Finance &amp; Resources and Full Governing Body were reviewed. The following issues arising: -</p> <ul style="list-style-type: none"> <li>• Committee minutes should document the opportunity for Governors to declare any interests at the start of each meeting</li> <li>• F&amp;R minutes 5/11/2020 state that a governor would be meeting with the SBM and Headteacher prior to committee to discuss the budget but successive minutes have not documented feedback from these meetings</li> <li>• The FGB minutes do not record any feedback from other sub committees including F&amp;R</li> <li>• The Scheme of Delegation was agreed by F&amp;R 25/05/2021 but no evidence that this was presented to the FGB</li> <li>• No reference to the procurement options to extend contracts and exceed agreed thresholds for governor approval.</li> </ul>	
<b><u>Risk</u></b>	
Governors are not updated in a formal, timely manner to allow scrutiny and challenge of decisions regarding financial management and policy.	
<b><u>Recommendation</u></b>	<b><u>Rating</u></b>
The school should consider the format and content of the committee minutes to ensure the issues highlighted above are met.	<b>Priority 3</b>
<b><u>Management Response and Accountable Manager</u></b>	<b><u>Agreed timescale</u></b>
<p>SBM has asked clerk to the governors to re-insert the declaration of interests at the start of each meeting.</p> <p>When the governor meets with Head and SBM it will be documented.</p> <p>The clerk has been asked to ensure that it is minuted at FGB meetings that the F&amp;R and other committee minutes are sent to all governors. The clerk has also been asked to ensure all policies, i.e. scheme of delegation that are presented to governors are listed as such to provide evidence that this has been done.</p> <p>SBM to ensure procurement options are presented for governor approval.</p>	<p>With immediate effect, as and when necessary.</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.





**FINAL INTERNAL AUDIT REPORT**

**PLACE DEPARTMENT**

**REVIEW OF THE OPERATION OF THE WASTE DISPOSAL AND WASTE COLLECTION CONTRACTS 2021**

**Issued to:** Colin Brand, Director of Environment and Public Protection  
Peter Turner, Director of Finance  
Peter McCready, Assistant Director of Environment  
Sarah Foster, Assistant Director, Performance Management and Business Support  
Jim Cowan, Neighbourhood Manager (Waste)  
Amy Harris, Waste Strategy Manager

**Prepared by:** Principal Auditor

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

**Date of Issue:** 25 June 2020

**Report no:** PLA05/2020

## REVIEW OF THE OPERATION OF THE WASTE SERVICES CONTRACTS 2021

### INTRODUCTION

1. This report sets out the results of our audit review of the operation of the Waste Collection and Waste Disposal Contracts. 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 annual audit of Waste Services in November 2016 highlighted significant weaknesses, failure to adhere to financial and contract procedures and mismanagement of the application of the default process. Internal Audit recommended that a management investigation be undertaken to review contract monitoring and controls for all aspects of the Waste Management contract. A follow up Internal Audit report finalised on the 29/3/2017 reviewed the original recommendations relating to the default process and further issues highlighted by the management investigation. Fifteen priority 1 recommendations were identified relating to:-
  - financial processes including calculation and collection of defaults, recovery of monies owing and payments to the contractor
  - contract management including sight of the signed contract document, Change Control Notices (CCN) and paper write offs
  - contract monitoring including minuted monitoring meetings, lack of documentation, tonnage reconciliation, reporting performance indicators to Committee and documented negotiations with the contractor
  - compliance to Financial Regulations including payment of invoices, declaration of Gifts and Hospitality and an identified need for officers to complete further Financial Regulations training

The findings spanned all aspects of the Waste Services contract and as previous audit reviews had identified similar concerns with other Environment contracts a recommendation was raised for the Department to review and take remedial action to address inadequate contract management. The Department acted swiftly to review all existing processes and procedures and developed and implemented the Contract Management Framework and Contract Monitoring Framework to support the management and monitoring of the Waste Management Contract and was adopted for all contracts within Environmental Services. The 15 priority 1 recommendations were reported to the Audit Sub Committee and subsequent progress to implement. The priority 1 recommendations were closed when Internal Audit could evidence satisfactory implementation.

**REVIEW OF THE OPERATION OF THE WASTE SERVICES CONTRACTS 2021**

3. The Waste Collection and Waste Disposal Contracts were awarded to the current contractor with effect from the 1/4/2019 for a period of 8 years. The whole life value of the contracts for Waste Disposal and Waste Collection are £73 million and £103 million respectively with an actual spend of £ 25,358,366 in 2020/21. The new contracts had incorporated measures to address any areas of weakness identified in the previous Internal Audit reports and management investigation. The contract management and monitoring of the new contracts should operate within the controls offered by the developed frameworks, separation of duties and revised procedures for all aspects of the contract (financial, service delivery and performance).
4. This audit review measured the current waste contracts against the previous 15 priority 1 recommendations as these were representative of key areas of risk within the contracts. Additionally, these were known areas of previous weakness and therefore facilitated targeted audit testing.
5. Management were fully engaged with the audit process and have supplied comprehensive documentation to support compliance to the 15 areas of review. Audit have accessed all shared areas to independently test payments, monitoring and contract management.
6. We would like to thank everyone contacted during this review for their help and co-operation.

**AUDIT SCOPE**

7. The original scope of the audit was outlined in the Terms of Reference dated 01/02/2021.
8. We identified the following key risks:
  - Failure to effectively manage service delivery and the contractor's performance
  - Lack of performance management information from the contractor
  - Failure to implement contract terms and conditions correctly including penalties
  - Failure to recognise and formalise contract variations to reflect changes in service which could have a financial impact
  - Damage to the Council's reputation

REVIEW OF THE OPERATION OF THE WASTE SERVICES CONTRACTS 2021

AUDIT OPINION

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

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

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

SUMMARY OF FINDINGS

10. To identify and test the controls in place to mitigate the key risks in paragraph 8 above the original 15 priority 1 recommendations identified in the March 2017 Internal Audit report were used as a basis for reviewing the contract management of the current Waste Management contracts. At the start of the audit the 15 recommendations were submitted to the Assistant Director of Environment and requested that the Department consider the current status of these recommendations prior to the first meeting with Internal Audit. This was effectively a self-assessment and facilitated early collection of supporting documentation to evidence compliance. Internal Audit already had access to the Contract Filing System (ECS Teamsite) and Contract management/monitoring frameworks so was also able to establish compliance before the first meeting and start of testing.

## REVIEW OF THE OPERATION OF THE WASTE SERVICES CONTRACTS 2021

11. At meetings on the 02/06/2021 and 03/06/2021 with Internal Audit, the Assistant Director of Environment, Neighbourhood Manager (Waste) and the Waste Strategy Manager the 15 previous recommendations were considered. Management submitted a spreadsheet to show how the issue was being addressed through the new Environmental Contract processes, highlighted any outstanding issues and declared a red/amber/green status for 2021/22. For each area of review Internal Audit stipulated the evidence required to support the declared status and selected the sample for independent audit testing and examination. Internal Audit was referred to the Business Support Team to review the payment and monitoring procedures.
12. The following paragraphs set out the work undertaken to evidence compliance for each of the 15 previous recommendations and to consider if the current processes comply with Financial Regulations, Contract Procedure Rules and agreed Departmental procedures. Any outstanding issues or new findings will be shown at Appendix A for management to consider.

### 13. Calculation and collection of defaults

Management advised that a Performance Management Framework (PMF) has been agreed and adopted for the new waste contracts. The aim of the PMF is to have a shared vision of the contract performance and future direction of the Service and Contract, and the roles that both parties will play in the achievement of the targets established to achieve that vision.

The Business Support Team provides an independent review of the PMF data submitted by the contractor and the Contract Manager completes a quality check. At the monthly contract meetings any performance deductions are agreed, minuted and then applied within the monthly invoice. Rates for performance deductions are reviewed and updated annually as per Schedule 4 of each of the contracts.

The monthly waste collection (variable) invoice for March 2021 was selected for audit review and the independent checks of the PMF data submitted by the contractor by the Business Support Team, the Contract Manager's quality checks, agreement of performance deductions for March 2021 at the contract monitoring meeting in April 2021 were satisfactorily evidenced. The rate of applied performance deductions were checked to the indexation spreadsheet and were correct for the year 2020-21.

The monthly waste collection (variable) invoice for March 2021 was also checked to ensure that previously identified issues with missed bin collections have been satisfactorily addressed. The following areas were discussed with management and verified to supporting evidence where applicable:

- **Working days were calculated correctly with no days missed at the start and end of each month.** The current reporting tool calculates the missed bins for specified date ranges and uses the actual number of collections that were carried out in that period. The PMF report for March 2021 covered the period 01/03/2021 to 31/03/2021.

## REVIEW OF THE OPERATION OF THE WASTE SERVICES CONTRACTS 2021

- **The actual collection rounds were correct.** Contractor's collection rounds were based on information initially produced by LBB which matches postal addresses to the UPRN from which all collection rounds were created, and the service provider's logistics system was updated accordingly.
- **Performance Deduction rates applied were correct.** The review of PMF by the Business Support Team for March 2021 was evidenced. The total value of performance deductions for March 2021 were calculated correctly and agreed rates for 2020-21 were applied.
- **Bulk waste missed bins were correctly recorded in accordance with the contract requirements.** The missed bins for flats are recorded on the PMF. No performance deductions for March 2021 were due as the missed collections for the month were within the acceptable range.
- **No credits for performance deductions were overdue.** At the time of testing there were no outstanding 'credits' or PAVs that have not been accounted for through the PMF process.

Overall, the audit testing for the March 2021 invoice and the information submitted by management evidences that the PMF has allowed adequate contract monitoring, independent review of the data submitted by the contractor that can then be quality checked and tracked through to contract monitoring. There are no issues arising from our review this time.

### 14. Payments made to the contractor

Management advised that the payment mechanism for Waste Disposal was applied monthly with the final cost determined and agreed in Month 13, in accordance with Schedule 4 Part 1 and 2 of the Contract. The principle is that for each month LBB pay the lowest cost, either target or actual. In month 13, at the year, the actual cost for the year is compared with, the target cost for the annual tonnage and the total sum paid to the contractor for the year. The Contract Manager's reconciliation for 2020-21 was reviewed to evidence process and to determine if the contractor was due a settlement as per the incentivised payment model based upon overall performance for the year. A payment of £71,482.43 was due to the contractor for 2020-21 and agreement of this amount was evidenced in the minutes of Strategic Operation Board (SOB) meeting in May 2021.

### 15. Change Control Notices

Management confirmed that all changes/variations were documented and formalised as Change Control Notices (CCN) as advised by the Assistant Director Governance and Contracts. All CCN's are signed and saved on the Contract Filing System and Egress (shared online platform with the contractor).

## REVIEW OF THE OPERATION OF THE WASTE SERVICES CONTRACTS 2021

Management also informed that a self-review of the CCNs is being planned to ensure compliance with the agreed contractual process.

Internal Audit undertook a sequential check to ensure that all CCN's were saved on the Contract Filing System and on the Contract Database, the Council's online contract repository. Four CCNs were not found in the relevant folders and enquiries were made with the contract managers. The contract managers provided the missing information and acknowledged that the CCNs had been misfiled. We were satisfied with their explanations.

### 16. Paper write off

Management advised that an agreed process was in place for wet paper and card. Tonnages were accurately provided and checked, as well as all corresponding ticket information and documents from the paper and card recycling facility. Tonnages of the rejected loads are recorded separately to the tonnage for the Waste disposal contract to increase transparency around management of these loads. This agreed process was formalised by a CCN in December 2019.

The Waste Strategy Manager acknowledged that this agreed process for the wet paper and card was not fully followed in 2020/21 as LBB staff were not always on site due to Covid-19 restrictions, to undertake the required checks on the rejected paper loads. The process was temporarily revised to accommodate remote working, and the contractor was required to immediately email the photos of the moisture meter readings for the rejected loads along with the Waste transfer notes as soon as the wet paper was returned to LBB's Waste Depot. The acceptance of the supporting evidence and approval for the wet paper to be disposed was given over the phone as a decision on the rejected paper was required as soon as it was returned.

The monthly waste collection (variable) invoice for March 2021, included £5,668.65 for disposal of 8 loads of rejected paper (totalling 56.24 tonnes). The supporting information for these rejected loads was reviewed online with the Waste Strategy Manager and deemed to be acceptable given the ongoing Covid-19 restrictions.

However, this interim change to agreed processes should have been supported by written procedures to evidence approval by an appropriate authorising officer and to ensure business continuity in the absence of the responsible officer. An interim change in process should also be time limited and a review date diarised to ensure agreed working practices can be resumed as soon as circumstances revert to normal and business as usual is allowed. This has been set out as a finding below.

**REVIEW OF THE OPERATION OF THE WASTE SERVICES CONTRACTS 2021****17. Contract Monitoring Meetings**

Management confirmed that the formal monthly Contract monitoring meetings (Service Operations Board) comply with the Contract Management Framework. Minutes are taken by an officer from the Business Support Team and saved on the Contract Filing System. The Assistant Director, Performance Management and Business Support or representative were also in attendance to provide independent scrutiny of decisions that were made. Both the contractors and the LBB officers are sufficiently represented at the appropriate level of seniority.

Internal Audit confirmed that the Contract monitoring meeting minutes were available on the Contract Filing system. Minutes for the monthly meetings March 2021, April 2021 and May 2021 were reviewed in detail. Appropriate representation from both parties were evidenced and monthly invoices and any performance deductions were agreed and minuted. Discussions and actions were recorded, agreed and subsequently monitored.

**18. Lack of Documentation**

The audit tests undertaken as part of this review confirmed that the supporting information was held on the Contract Filing System.

**19. Tonnage Reconciliation**

Management advised that a reconciliation process for tonnage was in place and documented in the Contract Monitoring Framework.

The reconciliation process checks the weighbridge disposal ticket numbers and tonnage for individual disposal tickets. The disposal invoice was supported by the contractor's spreadsheet, drawn from the disposal point weighbridge tickets, and the LBB weighbridge tickets. The format of this spreadsheet was a daily listing of all loads crossing the LBB weighbridge, by vehicle, by material and matched with the disposal point ticket for the same load. The Business Support Officer checks the total of the weighbridge tickets against an independent report drawn up from the LBB weighbridge system. These were agreed by their number and their weight, allowing an agreed percentage tolerance. Where the tolerance was exceeded, further investigative work was done including seeking explanation of the discrepancy from the contractor.

Finally, a sample of the total tickets was checked physically, to ensure that the actual LBB disposal tickets correspond with the contractor's spreadsheet report. The final tonnage and invoice value were agreed with the contractor and recorded at the Contract Management Meeting. The tonnage reconciliation process was reviewed for the April 2021 waste disposal invoice to ensure that it followed the documented process. The above process was observed to be followed except for the physical checks

## REVIEW OF THE OPERATION OF THE WASTE SERVICES CONTRACTS 2021

of a sample of LBB disposal tickets corresponding to the contractor's spreadsheet report. The Waste Strategy Manager stated that the process will be resumed once the Covid-19 restrictions are lifted. As reported in paragraph 16 above interim changes to agreed procedures should be documented, approved, time limited and subject to regular review.

### 20. Compliance to Financial Regulations for the authorisation and payment of invoices

Management confirmed that the staff responsible for the authorisation and payment of invoices understand their responsibility to comply with the Financial Regulations in performance of their roles.

The Waste Collection (variable) invoice for March 2021 and Waste Disposal (core) invoice for April 2021 were selected by Audit to verify that contract monitoring, verification checks, arithmetical accuracy, segregation of duties were in accordance with the Financial Regulations.

The independent checks undertaken by the Business Support which were signed off by the Contract Manager were also evidenced and supporting documents were saved on the Contract Filing System. The final amounts to be paid for the sampled invoices was agreed and formalised at the respective Contract Monitoring meetings. The checks were deemed satisfactory for the sampled invoice.

The payment process was satisfactorily checked to the requirements set out in Financial Regulations. The declaration of interest forms were also checked for officers involved in contract management and payment of invoices. For one officer a personal interest was declared, and management evidenced their statement to show knowledge and they had considered the impact, which was not of concern.

There were no issues arising in this area for ECS management although Internal Audit will be seeking HR advice to clarify the requirement for nominated LBB officers to complete declarations regularly and a process to monitor completion of the declarations.

### 21. Recovery of outstanding monies from the Contractor

As mentioned in section 14 above, Management advised that the Payment mechanism for Waste Disposal was applied monthly with the final cost determined and agreed in Month 13, in accordance with Schedule 4 Part 1 and 2 of the Contract. It was noted that a payment of £71,482.43 was actually due to the contractor for 2020-21 and agreement of this amount was evidenced in the minutes of Strategic Operation Board meeting in May 2021.

Also, as mentioned in 13 above there were no performance deductions outstanding for missed bins that have not been accounted for through the Performance Monitoring process.

**REVIEW OF THE OPERATION OF THE WASTE SERVICES CONTRACTS 2021**

At the time of audit review there was no outstanding payments due to the Authority.

**22. Performance indicators reported to Committee**

Management confirmed that the performance management information presented to Committee is collated by the Business Support Officer who is independent officer to the waste contracts and works in a team separate to the waste management officers.

The information is sourced from the data that has been through the reconciliation process and signed off by appropriate officers for invoicing purposes.

All committee reports written by the Waste team are reviewed by Procurement, Legal and Finance before being published, this is in line with the Council's governance procedure.

Internal audit checked the performance indicators reported to the March 2021 Environment & Community Services PDS Committee to the performance management reports. The information presented to the Committee was satisfactorily verified to the supporting evidence.

**23. Negotiations with the contractor**

Management advised that the Head of Finance was consulted on the financial impact of any changes being considered before agreement. The two contract managers regularly liaise with the Senior Accountant ECS and there were planned quarterly budget monitoring meetings. Notes from these finance meetings are attached to a spreadsheet and saved. Summary notes from the Senior Accountant ECS in the form of emails are also retained. As reported in paragraph 16 above interim changes to agreed procedures should be documented, approved, time limited and subject to regular review.

Internal Audit satisfactorily verified the evidence of regular budget monitoring meetings to review the financial position. Evidence of consultation with Finance for CCN L1 010 and CCN L2 018 was obtained, reviewed and satisfactorily evidenced.

**24. Gifts and Hospitality Register**

The Department has maintained a Gift and Hospitality Register up until February 2020. Since home working emails have been sent to the Business Support Officer. The Department has introduced an electronic version of the register in June 2021 which

## REVIEW OF THE OPERATION OF THE WASTE SERVICES CONTRACTS 2021

has been rolled out to all officers in ECS. There have been no declarations in the Gifts and Hospitality Register in respect of the Waste contracts for the reviewed period 1<sup>st</sup> April 2020 and 31<sup>st</sup> March 2021.

### 25. Signed Contract Document

Management confirmed that the signed contracts for the Waste Disposal and Waste Collection are held in the strong room which is managed by Legal. Electronic copies of the contracts were available on the Contract Filing System and Egress, the shared online platform with the contractor. Internal Audit checked the Contract Database and confirmed that signed copy of contracts have been uploaded for both Waste Collection and Waste Disposal contracts. The Legal team also verbally confirmed that a copy of the contract should be in the vault as both contracts were noted on the strong room inventory, held as an excel spreadsheet. The physical check on the sealed contracts could not be checked due to ongoing Covid-19 restrictions.

### 26. Training

Management advised that the Contract Managers have undertaken the Financial Regulation and the Contract Procedure Rules training. Internal Audit discussed the ongoing management responsibility to ensure that all officers involved in financial processes have access to the Financial Regulations and understand their roles and responsibilities. Any issues identified with the understanding and interpretation of the Financial Regulations should be addressed by appropriate management support and training. The Financial Regulations are available on the corporate intranet and have embedded links to relevant policy documents and the contact details for the responsible team.

The review of the payment process as part of this audit did not highlight any issues with the officers understanding of their roles and responsibilities. Other evidence seen as part of this review also demonstrated that the Contract Managers were aware that any variations to contracts need to be actioned formally via CCN.

### 27. Contract Management

The Senior Performance Officer advised that Business Support Team undertook a review of the contract management process at the start of the new Waste contract in April 2019. Their review formed the basis of the Contract Monitoring Framework which sets out the Contract Monitoring Systems that operates for the Waste Collection and Disposal Contract. A further review by the Contract Managers in collaboration with the Business Support Team of the PMF and the processes surrounding its application is due to commence, as they enter the third year of the contract. Satisfactory evidence of the review in April 2019 and the planned review was provided.

**REVIEW OF THE OPERATION OF THE WASTE SERVICES CONTRACTS 2021**

**28. Summary**

This audit review has considered areas of known weakness previously identified by Internal Audit reports and management investigations. Management have evidenced ownership of the issues previously raised and have adopted processes and procedures to mitigate identified risks.

The areas of this review are quite specific with the audit opinion based on the specific areas defined in the scope. It is acknowledged that not all aspects of the Waste Management contracts have been considered this time but adequate coverage has been achieved in key areas to allow the substantial assurance audit opinion to be given.

**DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

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

REVIEW OF THE OPERATION OF THE WASTE SERVICES CONTRACT 2021

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

1. Interim Procedures

**Finding**

The Waste Strategy Manager acknowledged that the agreed process for the wet paper and card was not fully followed in 2020/21. LBB staff were not always on site to undertake the required checks on the rejected paper loads due to Covid19 restrictions. The process was temporarily revised to accommodate remote working. The contractor was required to immediately email the photos of the moisture meter readings for the rejected loads along with the waste transfer notes as soon as the wet paper was returned to LBB's Waste Depot. The acceptance of the supporting evidence and approval for the wet paper to be disposed was given over the phone as a decision on the rejected paper was required as soon as it was returned.

The interim procedures were not available as a practice note, evidenced as being approved by an authorising officer or available to officers that may need to substitute for the Waste Strategy Manager. There was no review or end date for these interim procedures.

**Risk**

Consistent service delivery is not achieved.

Interim procedures are allowed to continue although the special circumstances have ceased to be evident.

**Recommendation**

Any interim change to agreed processes should be supported by written procedures to evidence approval by an appropriate authorising officer and ensure business continuity in the absence of the responsible officer.

An interim change in process should also be time limited and a review date diarised to ensure agreed working practices can be resumed as soon as circumstances revert to normal and business as usual allowed.

**Rating**

Priority 2

REVIEW OF THE OPERATION OF THE WASTE SERVICES CONTRACT 2021

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>This recommendation is agreed, the paper and card process need to be reviewed and updated according to the current processes as a result of the changes Covid-19 made to the way of working. The revised process will need to be agreed with the Service Provider through a CCN and then continually placed under review.</p>	<p>31 August 2021</p>
<p>Accountable Manager – Waste Strategy Manager</p>	

**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 rating**

<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.
<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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