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DATE: 23 June 2022

AUDIT SUB-COMMITTEE INFORMATION BRIEFING

Meeting to be held on Thursday 30 June 2022

AUDIT AND RISK MANAGEMENT PUBLISHED REPORTS

The Briefing comprises:

- 1 COMMUNITY INFRASTRUCTURE LEVY (CIL) 2021-2022 (Pages 3 - 12)**
- 2 PAYROLL (TAX) (Pages 13 - 22)**
- 3 REVIEW OF APPOINTEESHIP AND DEPUTYSHIP (Pages 23 - 38)**
- 4 REVIEW OF BUILDING CONTROL (Pages 39 - 50)**
- 5 REVIEW OF CONTRACT MONITORING OF ENVIRONMENTAL SERVICES CONTRACTS:2021--2022 (Pages 51 - 62)**
- 6 REVIEW OF PLANNING APPLICATIONS (PRE-APPLICATION ADVICE SERVICE (Pages 63 - 80)**
- 7 REVIEW OF SPECIAL EDUCATIONAL NEEDS PLACEMENTS AND TRANSITION PROCESS (Pages 81 - 98)**
- 8 VALUE ADDED TAX (VAT) ARRANGEMENTS 2021-22 (Pages 99 - 108)**

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

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

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

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



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

Community Infrastructure Levy (CIL) 2021-22

Issued to: **Infrastructure Delivery Team Leader
Head of Planning Policy and Strategy
Assistant Director Planning and Building Control
Director of Housing, Planning and Regeneration
Head of Finance ECS and Corporate Finance**

Prepared by: **Senior Internal Auditor (Mazars LLP)**

Reviewed by: **Key Client Contact (Mazars LLP)
Partner (Mazars LLP)**

Date of Issue: **13 June 2022**

Report No.: **PLA/07/2021**

Community Infrastructure Levy (CIL) 2021-22

INTRODUCTION

1. This report sets out the results of our internal audit of the Community Infrastructure Levy (CIL). 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 CIL activity, as well as the reliability of records, integrity of information and compliance with relevant regulations. The audit objective was to provide an independent opinion that the Council has appropriate controls in place to ensure that CIL charges due, are appropriately identified and amounts due are collected in full.
3. CIL is a non-negotiable levy charged to new developments in order help deliver infrastructure to support the needs of the Council and local community. It came into effect on 6 April 2010 through the Community Infrastructure Levy Regulations 2010.
4. Whilst the London Borough of Bromley has been a collecting authority for the Mayor of London's CIL since 2012, on 19 April 2021, proposals were approved for adoption by the London Borough of Bromley of its own CIL to support local infrastructure needs, with the charge effective on all relevant planning permissions determined on and after 15 June 2021.
5. This review was focused on the arrangements in place for London Borough of Bromley's CIL only. Due to the recent implementation of this process and the limited number of cases available for review, this audit sought primarily to provide an opinion on the design of the controls in place, and to assess effectiveness of these where appropriate.
6. Operationally, the Council's CIL follows the existing internal process followed for the Mayor of London's CIL.
7. The fieldwork for this review was completed remotely during the government measures put in place in response to COVID-19. While our review and testing were performed remotely, we have been able to obtain all relevant documents to complete the review, including through walkthrough exercises over Microsoft Teams.
8. We would like to thank all staff contacted during this review for their help and co-operation.

Community Infrastructure Levy (CIL) 2021-22

AUDIT SCOPE

9. The scope of the audit was outlined in the Terms of Reference issued in February 2022.
10. 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.
11. The following were considered to be the key risks inherent to the CIL process:
 - Adequate and up to date policies and procedures are not in place, or up to date with relevant legislation, leading to inconsistent or incorrect processing of CIL;
 - CIL income is not maximised where eligible developments are not identified for CIL charges and/or charges are incorrectly calculated;
 - Invalid exemptions are applied for and granted;
 - Inefficient and ineffective charge collection and debt recovery, leading to a loss of income; and
 - Lack of process in respect of management of funds leads to inconsistent or insufficient decision making on the use of the funds.

AUDIT OPINION

12. 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 A)

Community Infrastructure Levy (CIL) 2021-22

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

SUMMARY OF FINDINGS

13. Detailed below we have set out examples of where we have assessed controls to have been adequately designed. In addition, where we have identified issues, we have also highlighted these below:
- We noted that CIL Operational Guidance dated April 2021 is documented and available on the Council’s website. This is intended for use by planning applicants only and provides advice on what CIL is, when it is applicable, how it is calculated and how the Council intends to spend income from CIL. The Council’s CIL came into effect in June 2021 and the current CIL Operational Guidance has not been reviewed to confirm that the content is fully up to date with current procedures (see *recommendation 1 in Detailed Findings*).
 - We confirmed through discussions with the Infrastructure Delivery Team Leader that there is currently no documented guidance available for internal use by the CIL officers on how to identify and process CIL (see *recommendation 2 in Detailed Findings*)
 - We confirmed through discussions with the Infrastructure Delivery Team Leader that staff involved with CIL are provided with on-the-job training. The CIL officers also have regular discussions with the Infrastructure Team Leader. However, we noted there is no CIL related training or professional development. The CIL process is governed by the Community Infrastructure Level Regulations 2010 (CIL Regulations) and there is no readily available external training or guidance.

Community Infrastructure Levy (CIL) 2021-22

- We confirmed through discussion and walkthrough of the system with the Infrastructure Delivery Team Leader, that eligible developments for CIL charges are identified during the building planning stage. The system downloads overnight all data on the planning case management system that has been tagged as being CIL liable (Address, liable parties, development description etc.). A 'CIL Additional Information Form' is a national validation requirement for all relevant applications, which the developer is legally required to complete at the point of applying for planning permission – this contains the floorspace amounts proposed.
- CIL officers run weekly reports to identify planning applications where the CIL charge is applicable. We confirmed though walkthrough of the system that running reports on outstanding cases was possible.
- The CIL charge is calculated manually by the CIL officers. In addition to the CIL calculator on the system, there is a spreadsheet calculator in place that was implemented by the Infrastructure Team Leader that allows a manual CIL calculation cross referenced to the formula in the CIL regulations.
- As there have not yet been any Council CIL liabilities at the time of our testing, we tested a sample of ten Mayoral CIL liabilities from all surcharges (in context, Council CIL was to follow the same process) and found that:
 - CIL Additional Information Form was retained in all cases;
 - CIL calculation observed was appropriate; and
 - CIL Decision notice was sent to the applicant detailing the CIL charge.
- The CIL Regulations make a number of provisions for charging authorities to give relief or grant exemptions from the levy. Some types of relief are compulsory; others are offered at the Council's discretion.
- A form is completed by the planning applicant to claim charitable relief, social housing relief, and/or exceptional circumstances relief prior to the commencement of development. All forms are completed on the national online Planning Portal, which is referred to on the Council's website, and interfaces the information to the Council's system. Any relief must be granted and a Commencement Notice sent to, and received by, the Council prior to the commencement of the development. Otherwise, the full levy charge will be payable. We confirmed Claim forms are available on the council's website.

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- As there have not yet been any Council CIL reliefs or exemptions, we tested a sample of ten Mayoral CIL Reliefs/Exemptions since 2016 and found that:
 - The claim reason as recorded was appropriate in line with the CIL Operational Guidance;
 - A Decision notice was sent in all cases; and
 - Claim forms were only observed in eight out of the ten cases. In the remaining two cases, the claim form was not retained on Exacom due to misfiling error. It was noted the filing errors are in relation to relief claims made in 2016 and 2018. There is likely to be physical copies in the office, however given current remote working circumstances, staff are unable to obtain these and we have not raised a recommendation to this regard.
- We confirmed through discussions with the Infrastructure Delivery team leader that debt recovery is outsourced to a third party. A list of liabilities is provided to the contractor on a weekly basis by the Finance team. The Council engage in weekly email exchanges with the contractor to track progress. However, we were informed that CIL liabilities are never written off and the liability remains on the property as surcharges.
- In accordance with statutory guidance, the Council are required to report to Transport for London (TFL) on all Mayoral CIL charges and collection. We were provided with the TFL Report Bromley Council-Q3-2022 to confirm this had occurred.
- CIL Liabilities are reported on annually via the Infrastructure Funding Statement. We confirmed the statement for 2020/21 is published on the Council's website.
- As highlighted above, statutory reporting to TFL and the Council is in place. However, we noted that there is currently no CIL performance reporting to Senior Management and Board.

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 below. Any recommendations to management are prioritised in line with the criteria set within Appendix A.

Community Infrastructure Levy (CIL) 2021-22

APPENDIX A

No.	Finding	Risk	Recommendation and Priority	Management Response	Agreed Timescale and Responsible Manager
1	<p><u>Operational Guidance</u></p> <p>We noted that CIL Operational Guidance dated April 2021 is documented and available on the Council's website. This document is intended for use by planning applicants and provides advice on what CIL is, when it is applicable, how it is calculated and how the Council intends to spend income from CIL.</p> <p>However, the Council's CIL came into effect in June 2021 and the current CIL Operational Guidance has not been updated following this. It was also noted for example that Section 14 on Reporting states at 14.2 that "the Council does not yet collect its own CIL".</p>	<p>Where guidance documentation is out of date or inaccurate, there is a risk of regulatory non-compliance, due to officers not following the most up to date procedures.</p>	<p>Review and update the CIL Operational Guidance to ensure it is line with current Council processes including the Council's CIL scheme.</p> <p>Priority 3</p>	<p>Agreed. We will review the operational guidance to ensure it is up-to-date, and ensure it is kept up to date, for example to reflect new legislation.</p>	<p>December 2022</p> <p>Responsible Manager - Infrastructure Delivery Team Leader</p>

Community Infrastructure Levy (CIL) 2021-22

No.	Finding	Risk	Recommendation and Priority	Management Response	Agreed Timescale and Responsible Manager
2	<p><u>Procedural Guidance</u></p> <p>Our fieldwork established that, whilst information about CIL is available within the Operational Guidance document, this is intended for use by planning applicants only and therefore does not cover the internal review process. Further, whilst the requirements and conditions of the CIL process are largely detailed in legislation on the Mayor of London website, there is no procedural guidance related to CIL for internal use at the Council.</p>	<p>Where the Council's process on identifying and processing CIL is unclear, there is a risk of regulatory non-compliance, due to officers not following the correct policy internally.</p> <p>There is a further risk that the Council will be unable to demonstrate that proper procedure has been followed should a dissatisfied applicant appeal.</p>	<p>The Council should develop internal procedural guidance to process CIL, which should be available to all relevant staff.</p> <p>Priority 2</p>	<p>Agreed. We will introduce internal procedural guidance document, and ensure it is kept up to date, for example to reflect changes to procedures as a result of new legislation.</p>	<p>December 2022</p> <p>Responsible Manager - Infrastructure Delivery Team Leader</p>
3	<p><u>Management Reporting</u></p> <p>We confirmed the Council produced and published an Annual Funding statement for 2020/21.</p>	<p>Where CIL is not reported to management/ board, there is increased risk that the council are unaware of fraud risk or fraud risk</p>	<p>Introduce regular reporting to senior management.</p> <p>There are a number of ways that this can be fulfilled, including:</p> <ul style="list-style-type: none"> • Reports on CIL Liabilities/ exemptions 	<p>Agreed. We will introduce a regular reporting mechanism to the Chief Officers Executive (COE) group; the intention would be to report on various facets of CIL, at least twice per</p>	<p>There are currently few Bromley CIL liabilities to report but it is expected that these will pick up over the next year. We will</p>

Community Infrastructure Levy (CIL) 2021-22

No.	Finding	Risk	Recommendation and Priority	Management Response	Agreed Timescale and Responsible Manager
	<p>However, through discussions with the Infrastructure Delivery Team Leader and review of the meeting minutes of Development and Control meetings for March 2022, January 2022 and December 2021, we confirmed that CIL liabilities are not reported to or discussed at senior management meetings.</p>	<p>exposures, which could lead to potential financial loss to the Council.</p>	<ul style="list-style-type: none"> Debt Recovery progress Any other issues. <p>Priority 2</p>	<p>year but potentially at more regular intervals</p>	<p>therefore look to commence a regular reporting mechanism early in the May 2023.</p> <p>Responsible Manager - Infrastructure Delivery Team Leader</p>

Assurance Level

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

Recommendation ratings

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



FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF PAYROLL (TAX)

Issued to: Director of HR & Customer Services
Head of HR Business, Systems & Reward
Assistant Director, Exchequer Services
Revenues & Benefit Manager
Director of Finance (Final report only)

Prepared by: Trainee Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 08 June 2022

Report No.: CEX/05/2021

REVIEW OF PAYROLL (TAX)

INTRODUCTION

1. This report sets out the results of our audit of Payroll (Tax). 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 Council is party to a service level agreement with the Council's payroll contractor where the Council's payroll contractor processes the payments and changes to payroll on behalf of the Authority.
3. The objective of this audit was to review the adequacy and effectiveness of controls surrounding the recording and processing of tax (PAYE, NI, P11D only) through payroll.
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 and subsequently we tested the following key risks:
 - Income tax (PAYE) and National Insurance (NI) may not be deducted correctly.
 - Taxes filed for employee benefits in kind (P11D) may not be correctly accounted for.
 - Payments to HMRC may not be made accurately or in a timely manner, which may result in fines or censures by HMRC.
 - Accurate records detailing all deductions made in respect of PAYE, NI and P11D may not be maintained and provided to the relevant parties such as HMRC and the employee.
6. The audit covered the period between 1 April 2021 and 31 December 2021 and the year-end processes for the financial year 2020/21.

REVIEW OF PAYROLL (TAX)

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	1

SUMMARY OF FINDINGS

8. The audit has identified areas of good practice and sound controls as set out below:
- Procedure notes are documented and available to staff.
 - The FPS (Full payment summary) and EPS (Employer payment summary) is submitted to HMRC monthly.
 - For the new employees sampled, a P45 or a new starter form was retained and tax codes applied correctly.
 - For the leavers sampled, a P45 was produced and sent to those employees and HMRC was notified through the FPS submission timely.

REVIEW OF PAYROLL (TAX)

- Standard exception reports are produced for subsequent investigation & approval to identify any fraud and errors in calculating PAYE and NI deductions.
- Records detailing the deductions made in respect of P11D are maintained and provided to HMRC and the employee timely.
- For the employees sampled, tax code changes were applied correctly and PAYE and NI was calculated accurately.
- Deductions are paid to HMRC promptly and in full and the reconciliation of the payroll holding account is carried out monthly.

9. Management should consider the findings summarised as follows:

- Monthly payments taken for the selected samples under the Salary sacrifice scheme were correct, however, 3/15 payments had not been set up in time. This was due to human error and lack of processes in place to identify such errors.
- The Council's payroll contractor sends the monthly reports, summarising the CHAPS payments due to HMRC and Authorisation Form to run payroll to the Council's Revenues and Benefits Manager for authorisation. However, the Revenues and Benefits Manager does not have access to the payroll portal and signs off these payments without interrogating the information from an independent source.
- The NI uplift for the financial year 2022/23 was not tested before implementing on the payroll system.
- Exception reports are not run for subsequent investigation & approval to identify any fraud and errors in calculating benefits in kind deductions.
- The Council's payroll contractor shares the login provided to one team member to access the HMRC gateway. The Council's payroll contractor's Payroll Control Analyst informed us that the Council's payroll contractor is only able to have one access.

REVIEW OF PAYROLL (TAX)

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

1. <u>Payments under the Salary sacrifice scheme not set up timely</u>	
<u>Finding</u>	
<p>Our sample testing highlighted that although salary deductions had been made for the correct amount, three in our sample (one from the Home Technology scheme and two from the Gym Membership scheme) had not been set up in a timely manner.</p> <p>We identified that this was due to human error and lack of processes in place to identify such errors.</p> <p>The Council's payroll contractor has informed us that they have a procedure in place since March 2022, where they run a Cognos report and compare it with the records of employees receiving benefits in kind sent to them by the Council, to ensure that such payments are set up correctly and timely on the payroll system.</p> <p>However as it has been implemented very recently, we are unable to provide assurance on the adequacy and effectiveness of this process.</p>	
<u>Risk</u>	
<p>Taxes filed for employees for benefits in kind (P11D) may not be correctly accounted for in the existing financial year.</p> <p>Failure to set up the payment on time may result in financial loss to the Council or financial difficulty and inconvenience to the employee.</p>	
<u>Recommendation</u>	<u>Rating</u>
The Head of HR Business, Systems & Reward should further explore with the Council's payroll contractor and check if their verification process is sufficient and working.	Priority 2
<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
This will be added as a standing item to our monthly meetings with payroll to monitor.	June 2022

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REVIEW OF PAYROLL (TAX)

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

<p>The project to implement a new HR/Payroll system has started and as part of this system build we will look at how this process can be automated and clearer reporting.</p>	<p>April 2023</p>
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<p><u>2. Payment due to HMRC & Payroll authorisation</u></p>	
<p><u>Finding</u></p> <p>The Council's payroll contractor sends monthly reports summarising the CHAPS payments due to HMRC and an Authorisation Form to run payroll to the Council's Revenues and Benefits Manager for authorisation. However, the Revenues and Benefits Manager does not have access to the payroll system and signs off these payments without interrogating the information from an independent source.</p> <p><u>Risk</u></p> <p>Authorising the payment without verifying it independently may result in an incorrect payment being made to HMRC or an employee by error or fraud, which may result into fines and censures by HMRC and damage to the Council's reputation.</p>	
<p><u>Recommendation</u></p> <p>The Council's Revenues and Benefits Manager should investigate with the Head of HR Business, Systems & Reward to identify a process for checking independently if reports sent by the Council's payroll contractor are accurate before authorising them, such as whether systems reports can be generated in addition to the manual spreadsheet.</p>	<p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>Investigation already taken place. The Council's payroll contractor is able to provide a system report that can be generated to allow for independent verification to be undertaken.</p>	<p><u>Agreed timescale</u></p> <p>Already implemented</p>

REVIEW OF PAYROLL (TAX)

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

<p>Revenues and Benefits Manager will be provided with a system report in addition to the documentation already provided to support the HMRC Chaps request.</p>	
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3. The NI uplift for the financial year 2022/23 not tested

<p><u>Finding</u></p> <p>The Council's payroll contractor did not test the NI uplift for the financial year 2022/23 before implementing on the payroll system. The Council's payroll contractor informed us that they could not test it as they did not get the clone of the live database completed in time for testing, but they calculated the payroll and checked the reports before the first pay period of the financial year 2022/23.</p> <p><u>Risk</u></p> <p>Implementing the software patch for the uplift in NI without testing may result in incorrect NI being deducted from employees' salaries and may require additional time for the correct patch to be uploaded and tested.</p>	
<p><u>Recommendation</u></p> <p>The Head of HR Business, Systems & Reward should discuss and agree the approach to testing with the Council's payroll contractor and if a workaround is required for any exceptions.</p>	<p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>Before each upgrade to our live system, User Acceptance Testing is undertaken in the test environment. Unfortunately, on this occasion full testing was unable to be carried out due to part of the process not being completed. Process for upgrade process to be agreed with actions and timescales for all future upgrades.</p>	<p><u>Agreed timescale</u></p> <p>End of June 2022</p>

REVIEW OF PAYROLL (TAX)

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

4. <u>Login to access the HMRC gateway</u>	
<p><u>Finding</u></p> <p>The Council’s payroll contractor staff share the login of one team member to access the HMRC gateway. The Council’s payroll contractor’s Payroll Control Analyst informed us that the Council’s payroll contractor is only able to have one account to access the HMRC gateway.</p> <p><u>Risk</u></p> <p>Shared logins increase the risk of unauthorised access and loss/ misuse of associated data as transparency and accountability are reduced.</p>	
<p><u>Recommendation</u></p> <p>The Head of HR Business, Systems & Reward should investigate the situation with HMRC and then decide, in liaison with the Head of Information Management, how this should best be addressed to mitigate risks of data loss as well as staff resilience and contingency.</p>	<p><u>Rating</u></p> <p>Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>This will be discussed and raised with the Council’s payroll contractor and HMRC to identify a way forward.</p>	<p><u>Agreed timescale</u></p> <p>August 2022</p>

REVIEW OF PAYROLL (TAX)

APPENDIX A

DETAILED FINDINGS AND ACTION PLAN

5. <u>Exception reports for benefits in kind</u>	
<p><u>Finding</u></p> <p>The Council's payroll contractor does not run exception reports for the employees set up for benefits in kind.</p> <p>Standard exception reports are important in identifying and investigating any fraud and errors in calculating deductions.</p> <p><u>Risk</u></p> <p>Payments set up incorrectly may not be identified in time or may remain unidentified resulting in over or underpayments.</p>	
<p><u>Recommendation</u></p> <p>The Head of HR Business, Systems & Reward should interrogate the payroll system with the Council's payroll contractor and agree on the monthly exception reports that can be run for subsequent investigation & approval to identify any fraud and errors in calculating P11D deductions. Examples of such reports can be - report to check if the payments are set up correctly and timely, report to check if the employees' salary has not reached below the national minimum wage due to benefits in kind payments etc.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: #90EE90; padding: 5px; display: inline-block; margin: 10px auto;">Priority 3</div>
<p><u>Management Response and Accountable Manager</u></p> <p>Before any benefits are approved, checks are carried out already by HR regarding National Minimum Wage. If benefits were to bring someone below this level these would not be agreed. Discussions with payroll to take place with regards to additional checking on benefit deductions.</p>	<p><u>Agreed timescale</u></p> <p>July 2022</p>

Assurance Level

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

Recommendation ratings

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



**INTERNAL AUDIT FINAL REPORT
PEOPLE/CHIEF EXECUTIVES DEPARTMENT**

REVIEW OF APPOINTEESHIP AND DEPUTYSHIP

Issued to: Assistant Director Exchequer Services
Director of Finance
Contract and Operations Manager (Exchequer)
Head of Finance, Adult Social Care
Director of Adult Services
Assistant Director, Operations, Adult Social Care

Prepared by: Principal Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 15 June 2022

Report No.: PEO/14/2020

REVIEW OF APPOINTEESHIP AND DEPUTYSHIP

INTRODUCTION

1. This report sets out the results of our audit of the Appointeeship and Deputyship (A&D) service. 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 Court of Protection or the Department for Work and Pensions will appoint the Director of Adult Social Care to act as the Deputy or Appointee, for the administration of the financial affairs of Service Users. The A&D service is delivered as part of the Exchequer Contract; the latest contract started on 1st April 2020. The A&D Team consists of four designated A&D officers and an A&D Manager. As at 19th January 2022, the team held 217 Appointeeship cases, 48 Deputyship cases and 23 Tenancy cases.
3. We would like to thank everyone contacted during this review for their help and co-operation.

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 6 January 2022.
5. We identified the following key risks:
 - Robust governance arrangements are not in place for monitoring the Appointeeship and Deputyship service level agreement held within the Exchequer Services Contractor or the contract to provide community funerals
 - Client funds are not correctly managed and result in loss or misappropriation.
 - The fees for Appointeeship and Deputyship and Community Funerals have not been correctly applied or recovered according to the Charging Policy
6. Our scope included financial management, safeguarding of assets, charging and annual reviews, together with contract management. We undertook testing on a sample of clients and transactions between April 2021 and January 2022.

REVIEW OF APPOINTESHIP AND DEPUTYSHIP

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	2

SUMMARY OF FINDINGS

8. The audit review was completed after a period of change for the A&D service including home and hybrid working, a new LBB case management system and a change to mail systems and associated processes. For the Monitoring Officer these changes, together with additional responsibilities of being a key contact during the development, implementation and post implementation of the ASC and CSC case management system and the Exchequer role of distributing COVID grant payments, meant that there was reduced capacity to monitor the A&D contract.
9. The audit has identified areas of good practice and sound controls as set out below:-

REVIEW OF APPOINTESHIP AND DEPUTYSHIP

- The A&D specification is a comprehensive document that clearly sets out Council/provider roles and responsibilities together with service requirements in a logical order
- The performance information (Position Statement) includes both qualitative and quantitative information to allow a holistic view and had been submitted on time for the 6 months sampled.
- Quality Assurance arrangements are robust in design and effective in practice. They provide for an independent check on all Deputyship cases at least once a year and Appointeeship cases approximately every 18 months, to identify and correct any errors and confirm robust financial management.
- Utilisation of the online banking facility and the access controls offered, including unique password and sign on, delivers effective separation of duties for all bank transactions.
- Use of the holding account has decreased with the development of online banking but it is regularly, independently reconciled by the A&D manager.
- The four systems utilised to support delivery of the A&D service, the case management system, the system to hold scanned documents, the on-line banking system and the review/charging spreadsheets all offer adequate controls to process and store client information.

10. Audit review, interview and testing has identified the following areas that require management attention;-

- Service review meetings for A&D have not been completed and as such, formal performance sign off could not be demonstrated.
- The A&D Procedures were last reviewed in 2017 and do not reflect the changes necessitated by new systems and ways of working
- Monthly bank statements had not been received for 2/20 clients sampled to allow the reconciliation of balances between the bank account and the A&D case management system. Two signatures were not evidenced on bank set up forms for 4/10 clients sampled and 1/10 scanned copies had not been retained.
- For 2/20 clients checked, the client contribution had not been updated to reflect the current rate and supporting documentation.

REVIEW OF APPOINTESHIP AND DEPUTYSHIP

- The office safe check completed on the 1/2/22 identified items that were not entered onto the case management system. Similarly, a system generated report, identified items not seen on the 1/2/22 safe check, location descriptions of “Not Exchequer Contractor” that require explanation and asset holdings for clients that died more than 7 years ago. There is no retention or disposal policy.
- For 1/20 clients checked the incorrect balance had been used to calculate the annual charge and 2/20 clients had not received an annual review as they had not been entered onto the control spreadsheet.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

REVIEW OF APPOINTEESHIP AND DEPUTYSHIP

DETAILED FINDINGS AND ACTION PLAN

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1. Contract Monitoring

Finding

The Contract and Operations Manager (Exchequer) (C&OM (E)) is the nominated monitoring officer for the Financial Assessment and A&D services of the Exchequer Services contract that started in April 2020. We acknowledge that lockdown, additional responsibilities for Exchequer Services to verify/distribute grants and specifically for the C&OM (E) as the primary finance contact for the development, implementation and post implementation of both ASC and CSC systems, meant that the availability to monitor the A&D contract has been limited.

The Service Review meetings should be held monthly following timely receipt of the monthly Position Statements. Through review of meeting minutes, we have evidenced that these took place between February and July 2021 but there are no minutes for the period August to December 2021. The A&D Manager confirmed her availability for the January 2022 Service Review meeting but was not called to attend. Consequently, there is no evidence that Service Review meetings considered the A&D service for the period August 2021 to January 2022. There is also no evidence that any spot checks have been completed on the service to independently verify the information provided by the contractor or that the KPIs have been met.

The A&D specification (GRSP006) stipulates that a minimum of two officers from the Client Unit will have access to the A&D case management system. This was outstanding but will be requested for the monitoring officers.

The contract for community funerals stipulates that the provider submits information relating to service delivery four times per year. The AD Exchequer Services confirmed that these returns had not been issued by the provider and remedied this immediately.

Risk

The performance and compliance to the service level agreement is not scrutinised and challenged to ensure delivery of the contracted service at the required standard.

REVIEW OF APPOINTEESHIP AND DEPUTYSHIP

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<p><u>Recommendation</u></p> <p>Include A&D in the monthly Service Review and ensure that these meetings are formally minuted. ‘No issues arising’ or ‘no action to be taken’ should still be recorded to support the effective management of this contract.</p> <p>Provide access to A&D case management system for two client officers and consider completing spot checks to independently verify the performance information submitted.</p> <p>Identify any training needs that would support the monitoring officer in the role to ensure effective oversight of the A&D contract.</p>	<p><u>Rating</u></p> <p>Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>During the period covered by the audit the Operations Manager was on long term sick leave, the Service Delivery Manager was available to attend the meetings however as there were no issues he was not asked to attend. The Operations manager is now attending the monthly meetings and the discussions are recorded in the formal minutes. (Contract & Operations Manager (Exchequer)/Contractor’s Operations Manager)</p> <p>Access to the A&D case management system will be arranged for the Contract & Operations Manager (Exchequer) and the Monitoring Officer. Appropriate training will also be carried out.</p>	<p><u>Agreed timescale</u></p> <p>Completed.</p> <p>01/09/22</p>

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2. A & D Procedures

Finding

The A&D procedures (2017) is a comprehensive document that follows the operational demands of the service specification. However, these procedures need to be updated to reflect the recent change to scanned documents held and the implementation of the new Adult Social Care, case management system replacing. The “walk through” test completed with an A&D Officer at the start of the audit evidenced minor changes that would need to be updated and the move from manual signatures on documents such as the monthly bank statement.

Risk

Approved procedures are not consistently applied by all officers across the service. Key controls may be compromised if a standard approach is not adopted or evidenced as set out in the agreed procedures. Client funds may be mismanaged or misappropriated.

Recommendation

Update the A&D procedure notes to reflect the move to new document and case management systems
The A&D procedure notes should reflect actual service delivery, accounting for the procedure changes that were introduced during COVID restrictions and now adopted.

The A&D procedures should be owned and dated with a revision date to allow version control.

Rating

Priority 2

Management Response and Accountable Manager

During this period several new systems and processes were introduced including the introduction of the document storage and the implementation of ASC case management systems. In addition, over the next few months the service will be moving onto a new, hosted, version of the A&D case management system. It is recognised that

Agreed timescale

REVIEW OF APPOINTEESHIP AND DEPUTYSHIP

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<p>these changes will require the current procedures to be updated and this will be completed by 30/09/22 once the new systems are fully bedded in. In the interim where there have already been any significant changes this will be updated in the procedures and the revised procedures will be forwarded to the Assistant Director of Exchequer Services for sign off. (Contractor's Operations Manager/ Assistant Director of Exchequer Services)</p>	<p>Initial update by 30/06/22 and sign off by 30/09/22</p>
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3. Bank Statements and set up forms

Finding

Sample testing of 20 clients highlighted that for 2/20 the bank statement for the sample month was not available and the bank transaction report was submitted and used for audit testing. Monthly statements for these clients had not been received since the respective start dates of May 21 and November 2020. Although transaction testing was completed the reconciliation and verification of bank statement to the system balance could not be completed for these clients. There is no process to identify monthly statements not received from the bank.

For the same sample, the 2 letters and 4 forms completed to set up a new bank account for each client and submitted to the bank, were checked. 1 had e-mail evidence of submission but the forms had not been scanned and retained; 4/10 had only one signature on the forms or letters not two, however none of the cases were more recent than 2020.

Risk

Variances between the bank statement and the A&D system are not detected and investigated in a timely manner which could mean financial loss. Creation of bank accounts for fictitious clients; inadequate audit trail to evidence responsibility to set up a new bank account.

<p><u>Recommendation</u></p> <p>Investigate whether system reports can be generated to identify unreconciled bank statements for more than an accepted period after setting up.</p>	<p><u>Rating</u></p> <p>Priority 3</p>
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REVIEW OF APPOINTEESHIP AND DEPUTYSHIP

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<p>Remind officers of the requirement that all bank account set up forms and client identity letters are signed by two A&D officers and all forms to be uploaded to the client folder.</p>	
<p><u>Management Response and Accountable Manager</u></p> <p>The contractor has queried with the system provider whether a report can be run on unreconciled accounts, which would flag any missing statements, if this is not possible then the officer will carry out a manual check (Contractor’s Operations Manager/Contract & Operations Manager (Exchequer))</p> <p>The contractor has been reminded of the need to ensure all forms are properly authorised with scanned copies retained as evidence. (Contractor’s Operations Manager)</p>	<p><u>Agreed timescale</u></p> <p>15/06/22</p> <p>Completed</p>

<p>4. Supporting Documentation and Financial Transactions</p>
<p><u>Finding</u></p> <p>For the sample of 20 clients, we selected two transactions from the monthly bank statement and checked to the supporting documentation held. We found that:</p> <ul style="list-style-type: none"> • For 2/20 clients, the incorrect client contribution had been paid as the current rate had not been applied • In one instance the DWP letter had not been received and/or scanned to support the benefit value received

REVIEW OF APPOINTEESHIP AND DEPUTYSHIP

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- In one instance, confirmation for a temporary increase of personal allowance was held in the A&D officer’s inbox and not on the shared system.

For the cases identified above, the quality check had not yet been completed which should have identified the errors.

Risk

Client funds are not correctly managed resulting in loss, misappropriation or fraud. Impact on Council’s reputation as statutory duty to manage client funds is not met.

<p><u>Recommendation</u></p> <p>Ensure that all transactions are supported by independent documentation reflecting the current rate for regular receipts/payments. Supporting documentation to be held in the client folder, going forward that will be on the document storage system.</p> <p>For the cases identified, instigate remedial action to correct the over/underpayments .</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: yellow; padding: 2px; display: inline-block;">Priority 2</div>
<p><u>Management Response and Accountable Manager</u></p> <p>a) The standing orders have been amended to reflect the correct client contribution for the two cases identified and have been forwarded to the bank to action.</p> <p>b) DWP have been contacted and a copy letter requested.</p> <p>c) The memorandum for the change to the personal allowance is in the ASC case management system and will be held in the document storage system going forward. The email for the temporary change is saved in the A&D case management system as per current procedures.</p> <p>All Officers will be reminded of the importance of updating client contributions, particularly following annual uplifts and a reminder will be issued to the team that all documents need to be held on the document storage system. (Contractor’s Operations Manager).</p>	<p><u>Agreed timescale</u></p> <p>31/05/22</p>

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5. Safeguarding Assets and Retention/Disposal Policy**Finding**

We checked the safe contents and locked cash box and compared these to the records held on the A&D case management system. We found that:

- There is no safe inventory to summarise the contents of the safe or record the deposit or removal of client items.
- Keys for two clients held in the safe had no corresponding client record on the A&D case management system.

The annual asset check, completed by two Exchequer Contract officers, independent of the A&D team is based on individual client sheets generated from the A&D case management system by the allocated caseworker. There is no summary report run to reconcile that all listed property is checked. We requested a summary report as at 1/3/22 for Personal Effects, Protection of Property and Documents. We found that:

- 5 entries for items held in the office safe were not evidenced at the 1/2/22 safe check.
- The A&D officers were not able to explain the location “Not with the contractor” which included 23 clients from 2015 to 2019. Within this section a client named as “Prior Test” with 7 items of jewellery listed.
- There is no retention policy. Some entries on all three property tabs related to assets held for many years, the earliest entry being April 2009. We acknowledge that some adult A&D clients will be with the service long term and there is also a possibility that relatives may claim held property after a date of death. However, some disposal decisions have been made as the report does show items “destroyed” or “thrown away”.
- From the A&D case management summary report we identified clients with asset entries before 31.12.2014. According to the ASC case management system, eleven A&D clients died before 31.12.2014 and a further five community funeral clients were identified who had died before 31.12.2014.

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<p><u>Risk</u></p> <p>Loss of client’s personal property. Additional cost of securing and checking personal property.</p>	
<p><u>Recommendation</u></p> <p>Create a safe inventory to be held in the A&D office to record all deposits and withdrawals from the safe and locked cash box. This will allow accountability and support the information held on the A&D case management system.</p> <p>The A&D Team will need to account for the entries identified on the 1/3/22 system report and not found in the safe check completed on the 1/2/22. Similarly, an explanation of “not with the contractor” will need to be sought. A&D officers will need to agree a consistent upload of information to the Property tabs including the “location” field.</p> <p>The annual asset review should be supported and reconciled to a summary report (as produced for audit on the 1/3/22) generated from the A&D case management system to account for all assets entered for all clients.</p> <p>Management should consider a retention/disposal policy for A&D, Protection of Property (POP) and Community Funeral clients.</p>	<p><u>Rating</u></p> <p>Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>Contractor’s Operations Manager will create a safe inventory. This will be reviewed by the Operations Manager at the same time as the annual property assets check.</p>	<p><u>Agreed timescale</u></p> <p>31/07/22</p>

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<p>The A&D case management system has been updated with the details of the keys for two clients held in the safe.</p> <p>There are comments noted in the A&D case management system stating that some items have been passed to family, next of kin, solicitors, however these comments do not appear on the property assets report.</p> <p>The contractor will run a summary report from the A&D case management system, rather than individual client reports, and will use this to cross reference all items as part of the annual property assets check. (Contractor's Operations Manager/ Contract & Operations Manager (Exchequer)).</p> <p>A retention/disposal policy will be produced to cover A&D, POP and Community Funeral clients. (Assistant Director Exchequer Services)</p>	<p>31/07/22</p>
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6. Review and Charging Spreadsheets

Finding

The A&D team maintain a spreadsheet with monthly tabs to record fees and charges and the annual review for all clients. The A&D Manager adds new clients on the appropriate month sheet based on the Court of Protection date of award for Deputyship or receipt of the first benefit payment for Appointeeship. Similarly, closed cases are removed from this "live" document. The tabulated spreadsheet does provide a good oversight of all clients and a control to complete the review within a 12-month period and collect charges. However, our testing identified errors when a client had been moved between months as the start date changed (A&D accepted date to COP award or DWP receipt date).

We sample tested 20 annual reviews and charges applied. We found that:

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- In one instance, the incorrect balance had been used and an undercharge of £59.42 applied. This case had not yet been reviewed as part of the Quality Checking completed by the A&D Manager
- In two instances, the end of period balances did not exactly correspond to the bank balance and other holdings. As the balances exceeded the £16K threshold, this did not impact on a variable charge but one of the balances was close to the threshold and therefore the exact date and balance were relevant.
- In two instances, the clients were not included on the relevant monthly tabulation and the review and charge had been missed. Remedial action was taken to charge and complete/book the review.

Risk

The incorrect fee is applied to a A&D client account or the annual charge is not collected.

The annual review is not completed to confirm all benefits due are collected, payments are correct, bank holdings are reconciled, and the welfare of the client is assessed.

Recommendation

Consider reconciling the total number of clients listed on the monthly tabulations for review and charges to the current client list held on the A&D case management system.
 Ensure that the bank balance and total holdings are declared for the end of period date for charging purposes.

Rating

Priority 3

Management Response and Accountable Manager

The errors identified in the audit have all been corrected and the Operations Manager now maintains a separate listing of all new clients which is cross-referenced to the Reviews and Charging schedule to ensure all new clients are included on the Charging Schedule. (Contractor's Operations Manager/ Contract & Operations Manager (Exchequer)).

Agreed timescale

Completed

OPINION DEFINITIONS

Assurance Level

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

Recommendation ratings

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



INTERNAL AUDIT FINAL REPORT
HOUSING, PLANNING AND REGENERATION

REVIEW OF BUILDING CONTROL

Issued to: Head of Building Control

Cc (Final only) Assistant Director, Planning and Building Control
Director of Housing, Planning and Regeneration
Head of Finance, ECS and Corporate

Principal Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 11th April 2022

Report No.: PLA/08/2021

REVIEW OF BUILDING CONTROL

INTRODUCTION

1. This report sets out the results of our audit of Building Control. 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 Building Control service is demand led, with 1,421 Applications deposited and 2,266 Completions recorded during the 2021 calendar year. Departmental statistics indicate that Bromley's Building Control service had 39% of the market share in quarter three.
3. Following the retirement of the former Head of Service in 2018, the Building Control function operated under a series of interim arrangements until June 2021, when a permanent appointee commenced in post. The new Head of Building Control advised that prior to taking up the post, the service, which had continued to operate during a period of intense change, had additionally been functioning without the benefit of real time performance data and key performance indicators, which are fundamental to analysing pinch points and improving service delivery. These have now been put in place and continue to develop, heightening focus on areas where further work is required. Additionally, the Head of Building Control has developed a longer term service improvement strategy to increase income and drive up market share. This had been partially implemented at the time of fieldwork with, for example, the introduction of online fee payments and a successful recruitment drive.
4. At the time of concluding the Internal Audit, the service continued to evolve.
5. We would like to thank everyone contacted during this review for their help and co-operation.

AUDIT SCOPE

6. The original scope of the audit was outlined in the Terms of Reference and the key risks reviewed were:-
 - Policies and procedures, including those for Building Control enforcement, are not fit for purpose, leading to a failure to meet statutory obligations

REVIEW OF BUILDING CONTROL

- Building Control applications are not administered in a fair, consistent, timely and correct manner. Inappropriate advice may be given and incorrect decisions made
- Building Control inspection fees are not collected at all or in a timely manner
- Performance of the service is not monitored regularly, corrective actions are not taken to address any issues and the information/data is not used effectively to improve the quality and efficiency of the service
- Changes to service delivery and relaxation of governance arrangements may lead to weaknesses in the controls previously in place

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	0

REVIEW OF BUILDING CONTROL

SUMMARY OF FINDINGS

8. The Building Control function operated under a series of interim arrangements between 2018 and June 2021. The new Head of Service has developed a longer term improvement strategy, heightening focus on areas where further work is required to increase income and drive up market share. The successful outcome of the recruitment drive undertaken during quarter four will provide additional stability and resilience to the service.
9. Our fieldwork highlighted a number of key strengths. We found that information on the website www.bromley.gov.uk is wide ranging and, during the course of the audit, some examples of comprehensive case work were seen.
10. We would, however, wish to bring the following four areas to Management's attention.

1) Quality Framework

The Building Control function is currently operating without the benefit of a definitive process map/procedure document or operational guide for navigating the Building Control module on the case management system and, there is not a process in place for management random quality assurance sampling of cases at different stages of the workflow, to ensure consistent application of guidelines and decision making. Additionally, it could not be evidenced that staff remain up to date with legislation and retain the professional standards required of the function, through qualifications, continuing professional development or personal development plans.

2) Online Information

The current online Building Control offer does not include the facility for applications for Full Plans, Building Notice and Regularisation approval to be submitted via a portal. The application forms, available to download, are in PDF format and therefore cumbersome for the applicant, do not address accessibility issues and the information contained within the form will require re-keying into the Building Control Case Management Software System, creating additional resource requirements.

3) Reconciliation of Income on the Case Management to the Financial system

The Case management system does not have a direct interface with the financial system and therefore there is no automatic reconciliation of the data (income) recorded on the systems. As part of the 2016-17 Internal Audit (ES/043/02/2016 dated 2nd August 2016), it was recommended that a periodic reconciliation of income recorded on both systems should be undertaken and any discrepancies investigated. This was re-recommended as part of the 2017-18 Follow Up Audit (CEX/25/2017/FU dated 23rd January 2018) but remains outstanding and is not a current workstream.

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4) Payment card details retained on file

For one case, it was noted that details including the full 16 digit number, three digit security code and name and address of the card holder were held as a scanned document in the case management system. The expiry date recorded confirmed that this card was still valid. Whilst the Head of Building Control confirmed deletion of the document from the system as soon as it was brought to their attention, retention of the details after the transaction had been completed is non-compliant with Payment Card Industry Data Security Standards for data protection and increases the risk of card misuse and associated reputational damage.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

DETAILED FINDINGS AND ACTION PLAN

1. Quality Framework

Finding

Operational Procedures

The overarching governance process for the Building Control service is the Local Authority Building Control organisation (LABC) 'Quality Management System Procedures Manual' guidance framework. This is not, however, currently underpinned by:-

- (i) a definitive process map/formal end to end written procedure for the delivery of the Building Control function
- (ii) operational guidance for navigating the Building Control module on the Case management system.

Whilst the Case management system is the main data repository, information is also stored within the buildingcontrol@bromley.gov.uk mailbox, personal E mail boxes and, historically, as paper records. As there is no interface between these systems, the procedures should clarify storage requirements to ensure filing consistency and accessibility of all relevant records. Additionally, the Case management system does not contain workflow functionality and therefore does not prompt the user to complete specific fields or carry out elements of the process in a specific order or in a timely manner, leading to inconsistencies in record keeping across cases.

Inconsistencies in the quality and availability of information identified during the testing include the level of detail provided within the 'Inspection Details' notes to support the decisions that were made and, fields not completed. There were also variations in the fields in which fees collected were recorded, with some fee payments located within the 'Payment details' section of the 'Charges' field and others within the 'Inspection Fee payments' of the 'Inspections' field within the Case management system.

The lack of definitive procedures and operational guidance could lead to processes, including for contraventions/enforcement, not being carried out consistently or in a timely manner, gaps in information and records of variable quality. Business continuity/resilience in the event of staff absence/turnover and, the induction process of recent appointees, could be hindered.

Management oversight and technical competence

Members of the Building Control team will have insight into cases outside of their allocation which are, for example, referred to them for guidance during the process (such as the Technical Support team referring to a surveyor or a surveyor referring to the Head of Building Control). However, there is no process in place for management random quality assurance sampling of cases at different stages of the workflow, to ensure consistent application of guidelines and decision making. Similarly, there is not a process in place to ensure that staff

DETAILED FINDINGS AND ACTION PLAN

remain up to date with legislation and retain the professional standards required of the function, through qualifications, continuing professional development or personal development plans.

Risk

Without management oversight of cases and a quality standards framework in place to measure and quality assure areas such as compliance with legislation, adherence to policy and, ensure completion of casework to the professional standards required of the function and in a timely manner, gaps may not be identified, errors may occur, and appropriate action may not be taken to improve quality and the efficiency of the service.

Recommendation

A quality standards framework/management oversight process should be put in place to monitor performance standards, ensure decisions are appropriate, timescales are adhered to and investigate deficiencies/variances. This should include the contraventions/enforcement element of the process. The resulting qualitative and quantitative performance data should be used to supplement the developing suite of Key Performance Indicators to drive performance improvement and market share.

Specific areas for consideration should include:-

Operational Procedures

- (i) supplementary procedure notes providing more detailed guidance as to how each element of the process should be carried out and recorded on systems and define minimum standards.
- (ii) procedure notes for operating and navigating the Building Control module on the Case management system.

Management oversight and technical competence

Processes should be put in place to:-

- (i) regularly quality assure a random sample of cases at different stages of the process, to ensure consistent application of guidelines and decision making.

Rating

Priority 2

DETAILED FINDINGS AND ACTION PLAN

2. Online information www.bromley.gov.uk	
<p><u>Finding</u></p> <p>The current online Building Control offer does not include the facility for applications for Full Plans, Building Notice and Regularisation approval to be submitted via a portal. The application forms, available to download, are in PDF format and therefore cumbersome for the applicant, do not address accessibility issues and, the information contained within the form will require re-keying into the Building Control Case Management Software System.</p> <p><u>Risk</u></p> <p>(i) The current process is not customer focused or compliant with the Council's website's usability and accessibility standards, meaning that applicants may be discouraged from, or not be able to, access services readily in some instances.</p> <p>(ii) Inability to submit forms via an online portal encourages postal/physical drop off at reception areas and creates additional resource requirements to re-enter data into systems.</p>	
<p><u>Recommendation</u></p> <p>The Building Control forms on www.bromley.gov.uk should be reviewed to ensure that all elements meet the Council's website and accessibility standards and that the 'offer' as a whole is both customer focused and encourages online submission.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: yellow; padding: 2px; text-align: center;">Priority 2</div>
<p><u>Management Response and Accountable Manager</u></p> <p>It is recognised that the application forms need updating. However, it is expected that the replacement case management system to the current system will have integrated online forms. Given the timescale for the replacement, to avoid any duplication of work, the review of the current online forms should form part of the implementation of the new software.</p> <p>Action:</p> <p>4. Renew application forms in line with implementation of new case management software (Responsibility – Head of Building Control)</p>	<p><u>Agreed timescale</u></p> <p>May 2023</p>

DETAILED FINDINGS AND ACTION PLAN

3. Reconciliation of Income on the Case Management to the Financial system	
<p><u>Finding</u></p> <p>The Case management system does not have a direct interface with the financial system and therefore there is no automatic reconciliation of the data (income) recorded. As part of the 2016-17 Internal Audit (ES/043/02/2016 dated 2nd August 2016) it was recommended that a periodic reconciliation of income recorded on both systems should be undertaken and any discrepancies investigated. This was re-recommended as part of the 2017-18 Follow Up Audit (CEX/25/2017/FU dated 23rd January 2018) but remains outstanding and is not a current workstream.</p> <p><u>Risk</u></p> <p>Fee income due may not be identified in a timely manner and therefore not collected within the relevant financial year or at all.</p>	
<p><u>Recommendation</u></p> <p>(i) To ensure that all income is accounted for, a periodic reconciliation of the income recorded on both systems should be undertaken with any discrepancies investigated. Should an IT solution not be viable, a periodic manual sample based reconciliation should be undertaken.</p> <p>(ii) At the stage of procuring a replacement Building Control case management system, consideration should be given to the ability to interface with financial systems to automate the reconciliation process.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: yellow; padding: 2px; text-align: center;">Priority 2</div>
<p><u>Management Response and Accountable Manager</u></p> <p>The audit included random sampling of applications including the recovery of fees. While this was a small sample, there were no inconsistencies found.</p> <p>There is no direct interface between the current systems, therefore an IT solution is not viable.</p> <p>Action:</p> <p>5. Introduce quarterly manual sample-based reconciliation until an IT based solution is available (Responsibility – Head of Building Control)</p>	<p><u>Agreed timescale</u></p> <p>31 July 2022</p>

DETAILED FINDINGS AND ACTION PLAN

4. Payment card details retained on file	
<p><u>Finding</u></p> <p>For one payment in our sample, card details including the full 16 digit number, three digit security code and the name and address of the card holder were held as a scanned document in the case management system. The expiry date recorded confirmed that this card was still valid.</p> <p><u>Risk</u></p> <p>(i) Non compliance with Payment Card Industry Data Security Standards for data protection.</p> <p>(ii) Increased risk of misuse of customer card and associated reputational damage.</p>	
<p><u>Recommendation</u></p> <p>All staff should be reminded that in the event of card details being provided for payment of fees, these details must be destroyed immediately the transaction is complete.</p> <p>Note:- The Head of Building Control confirmed the deletion of the document from the system immediately it was brought to their attention and this scenario is less likely now with the introduction of an online payment option for Building Control fees.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: yellow; padding: 2px; text-align: center; width: fit-content; margin: 0 auto;">Priority 2</div>
<p><u>Management Response and Accountable Manager</u></p> <p>This was an administrative error and it is highly unlikely this will reoccur. The form the information was on has not been available for 2-3 years and the current payment methods do not require the writing down of such data. The team have been advised of this incident and reminded that any full card details to be destroyed immediately the transaction is complete.</p>	<p><u>Agreed timescale</u></p> <p>Completed April 2022</p>

Assurance Level

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

Recommendation ratings

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



FINAL INTERNAL AUDIT REPORT

PLACE DIRECTORATE

Review of Contract Monitoring of Environmental Services Contracts Audit 2021-22

Issued to: Director of Environment and Public Protection
Assistant Director of Performance Management and Business Support
Assistant Director, Environment
Assistant Director, Highways
Assistant Director, Traffic and Parking
Head of Finance ECS and Corporate

Prepared by: Risk Assurance Senior (Mazars LLP)

Reviewed by: Director (Mazars LLP)

Date of Issue: 8 March 2022

Report No.: PLA/01/2021

INTRODUCTION

1. This report sets out the results of our internal audit (audit) of contract management arrangements for a sample of Environmental Services contracts.
2. The audit looked to review whether effective contract management arrangements were in place to ensure that:
 - The service was being delivered efficiently, effectively and in line with agreed service specifications;
 - Contractor staff had the necessary experience, qualifications and vetting to deliver services agreed;
 - Poor performance was identified and an effective course of action to address this was agreed and implemented;
 - Payments for the services provided were made accurately and in line with the terms of the contract; and,
 - Opportunities for increased value for money or service development were sought and realised.
3. We would like to thank all staff contacted during this review for their assistance and co-operation.

AUDIT SCOPE

4. The original scope of the audit was outlined in the terms of reference issued in October 2021.
5. 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.
6. The following were considered to be the key risks to the process:
 - Requirements on the contractor in terms of scope of work and quality standards are not clearly defined, communicated, or agreed, resulting in the contractor refuting/ not being bound to these.
 - Performance management and monitoring is not robust (e.g. no verification of performance reported by the supplier or disproportionate challenge), resulting in poor relationships with suppliers and untimely identification of delivery concerns.

- Ad hoc works or changes to the services provided are requested and implemented in an unstructured way, leading to services being requested that are not needed or a duplication of effort.
 - Payments are incorrect or are made for work not undertaken to a satisfactory standard or at all. Deductions are not made where applicable.
 - If non-compliance is identified and not addressed, this could lead to reputational and financial damage to the Council.
7. We reviewed any revised service delivery arrangements put in place within the past year as a result of Covid-19 and analysed the impact on other interrelated functions and services of any changes made. This included a consideration of any risk analysis and risk assessments to ensure that governance arrangements and the current and future business needs of the service are maintained. We have also considered whether any changes to controls may create an increased risk of fraud.

AUDIT OPINION

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

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

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

SUMMARY OF FINDINGS

9. As agreed with the Council prior to the audit commencing, we reviewed the following contracts :

Contract	Contract Duration	Whole Life Value (£)	Annual Value (£)
CCTV- Monitoring	01/04/2019 -31/03/2024	£1,441k	£288,200
Bromley Market Assembly	01/01/2020 -31/12/2021	£154k	£77,000
Supply of Leased Cars	16/05/2019- 15/05/2023	£2,310k	£525,000
Central Depot Security	01/04/2020 - 31/03/2023	£317k	£98,281
Park Management and Grounds Maintenance	01/04/2019 - 03/03/2027	£37,591k	£4,698,854

10. 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:

• **CCTV Monitoring**

- This contract is for the provision of staff for the CCTV monitoring control room. There are a number of key performance indicators (KPIs), which are referred to as key sales objectives (KSOs) in monthly reports. As defined in the contract, these include having a full complement of appropriately trained security staff on duty, responding to law enforcement requests and data subject requests, reporting of faults, zero complaints received, performance reports being produced to the correct standard, operational reporting, financial performance and health and safety reporting. KPI reporting includes PAV (Performance Adjusted Value) criteria for where targets are not met. We confirmed that the KSOs are being actively monitored on a monthly basis, are appropriate and relevant to the nature of the contract.
- We confirmed through examination of relevant meeting minutes for all meetings taking place in 2020 and in 2021 (to September 2021) that monthly CCTV Monitoring contract meetings, attended by key stakeholders from both the Council and the contractor were in place.

- We confirmed that the monthly meetings included agenda items relevant to performance, such as previous minutes, Covid-19, Health and Safety, KPIs, Defaults, Contract financial management, customers and members, the contract risk register, training, and any other relevant matters for discussion. The monthly minutes included an action log to track issues raised, the due date for actions and comments.
- There were some variations to activities as a result of Covid-19 around the number of staff able to work in the control room as a result of social distancing. We confirmed that these variations were communicated in a clear and structured manner via the Covid-19 strategy for continued service of CCTV dated 29 March 2020.
- Sample testing of timesheets in 2020 and 2021 confirmed that reconciliations were performed between activity per timesheets and invoices, with variances between records being challenged by the Council. We also viewed evidence that budget monitoring was performed.
- There is a KSO in this contract which details that, 'All shifts to have a full complement of appropriately trained security staff on duty'. This is verified by a monthly audit, which we confirmed was included in the monthly in KPI reports.
- Discussion with the contract owner established that there had not been many performance related issues with the contract. It was further explained that if performance issues arise, there are PAVs in place to mitigate any potential financial impact. If escalation is required, this would initially be raised informally and then formally through monthly meetings. Review of contract meeting minutes for all meetings taking place in 2020 and in 2021 (to September 2021) confirmed that where performance matters were raised, mitigating actions had been agreed with the contractor and appropriately documented.
- Opportunities for service development were explored through the Privacy Impact Assessment work commissioned in August 2020 to examine how the Council could improve their CCTV monitoring system over future years and to identify where infrastructure requires upgrading.

- **Bromley Market Assembly**

- This contract relates to the set up and take-down of market stalls at Bromley Market. The arrangement with the provider has been in place for several years, initially as an informal arrangement. We were informed by the contract owner that since assuming management of the contract, he has sought to create a more formal arrangement with a short-term contract being put in place for one year from the beginning of 2020, which was subsequently extended by a year to 31 December 2021.
- The contract was due for re-tender in December 2021. The intended purpose of this tender process will be to determine whether the current arrangement continues to offer value for money, with the intention of awarding this as a contract in line with Bromley's contract management and monitoring principles. Our audit fieldwork concluded in November 2021, so we have not considered contract activities that followed this date as part of this audit.
- The contract is activity-based, in the respect that each week the Council specify how many stalls are required to be set up and whether any additional attendance is required. The provider is notified of the specification for the week and undertakes work as instructed. The Council is then subsequently invoiced by the provider and invoices are paid in arrears by the Council.
- Through sample testing of five Market sessions taking place between 9 September 2021 and 7 October 2021, we confirmed that invoices were reconciled to the Council's records for stalls that have been set up and taken down. There is a rate of £35 per stall, as specified in the contract. We were advised by the contract manager that any discrepancies were followed up to ensure that value for money is achieved. Our review of invoice checks completed from April 2020 to November 2021 confirmed that there was no discrepancy identified.
- The contract monitoring and management arrangements were informal. There are no weekly or monthly catch up meetings with minutes or an agenda. Communication around contract management or invoicing takes place through phone-calls or emails on an as-required basis. In addition, there are no KPIs for this contract – the performance element is to ensure that all stalls are set up per the requested arrangement (see issue 1 in detailed findings).
- There is a need to ensure that the contract arrangements are formalised and follow the Council's guidance in contract management, however it is equally important to put in place controls that are proportional to the value and nature of the contract.

- **Supply of Leased Cars**

- This contract is a framework agreement for the supply of leased cars. The framework is accessed by an online portal through which vehicles can be leased. Leases are between the Council and an individual leasing company, rather than with the framework provider. This arrangement is a call-off contract.
- The contract owner for this contract had produced a framework procedure manual, which details key information, around areas such as contract background, contract purpose, monitoring, governance, orders, renewal, and payments.
- We confirmed there was communication with individual leasing companies, but there were no formal meetings with providers. Some monitoring activities took place, such as monitoring of orders, inspection of vehicles upon delivery, servicing and return of vehicles.
- According to the framework procedure manual, there should be quarterly monitoring. We were provided with evidence of performance monitoring of Q1 and Q2 2021/22. We were informed by the contract owner that there were no KPIs for this contract. However, owing to the nature of this contract, this appeared to be appropriate. It was explained that issues with performance are escalated to individual leasing companies and subsequently to the framework provider, where necessary, with issues raised informally by phone or email. We were provided with an email example.
- Value for money was achieved through this arrangement due to the high volume of public sector purchasing through the framework resulting in manufacturer discounts on vehicles and the simplification of leasing activities requiring fewer resources to manage the process.
- Per Framework procedures manual, the lease vehicles are supplied on the basis of an annual payment-in-advance. An I-Proc order is raised for each vehicle to cover the whole lease term. The annual invoice is received by the Fleet Co-ordinator and checked against the order, receipted on I-Proc and passed for payment. We confirmed that a copy is kept for record purposes. If a contract is ended early (typically 36-month contracts) there is a penalty and the remainder of the amount paid is credited to LBB, which we confirmed to have been done for one contract selected for walkthrough.
- In terms of payments, these are administered by HR/Payroll. A 'company vehicle' is a P11D benefit in kind, therefore needs to be processed as such. We have viewed evidence of payroll checks being performed over lease costs passed onto the employee.

- **Central Depot Security**

- Central Depot is the main base for the Council's front-line services such as waste/recycling collection, waste disposal, street cleansing, passenger transport and highways winter service.
- For this contract, the Transport Operations Manager had produced a contract procedures document detailing key information, around areas such as background, meetings, monitoring, governance, payments, renewal, and other areas. In addition to this, the Transport Operations Manager had produced an annual contract management plan for 2020-2023, with key milestones detailed monthly, i.e. bi-monthly contract meetings and quarterly KPI reporting.
- KPIs were detailed in the appendix of the Contract Procedures guide. These detailed areas such as operating issues, officer related issues, management support, site specific and information KPIs. These all included relevant metrics- e.g. 100% of security staff should be licensed. Issues around poor performance would be raised informally in the first instance, thereafter formally in the bi-monthly contract meetings.
- Formal contract meetings were held by the Transport Operations Manager on a bi-monthly basis, which we confirmed to occur according to the agreed schedule between October 2020 to May 2021. There is a standing monthly agenda for these meetings, with various topics covered under the three headings of (i) service, (ii) standards and (iii) contract. Bi-monthly scheduled meetings typically would involve the Contract Manager and Contract Supervisor and for the Council, the Transport Operations Manager and Depot Co-ordinator, as well as a representative from the contractor.
- As a result of the Covid-19 pandemic, changes to working arrangements were required as the Depot was operating under reduced capacity. New working arrangements were introduced as of 25 March 2020. We viewed evidence confirming that these changes were communicated to relevant staff.
- The depot is a multi-user site. Therefore, costs were allocated between the Waste Services provider (75%) and the Council (25%) based on the usage of area at the depot. Invoices for security services are allocated on this basis. We confirmed this by reviewing the allocation of the July 2021 invoice.
- The quarterly contract monitoring spreadsheet contains a KPI relating to value for money "Did you get Value for Money this month". Our review of the Q2 21/22 spreadsheet confirmed that this is scored "5", meaning that value for money has either been met or exceeded. This is measured by the contractor meeting quality standards. Examination of the Q2 2021/22 KPI Quarterly Monitoring spreadsheet confirmed this to be in place.

- **Park Management and Grounds Maintenance**

- This contract was let following a competitive tender process in 2019 and covers all Parks Management and Ground Maintenance functions.
- The contractor is monitored against set 12 KPIs (referred to as KSOs), which were agreed by both parties at the beginning of the contract. Appropriate KPIs and deliverables include service response times to customer inquiries, customer satisfaction, delivery of action plan targets and delivery against key milestones/actions.
- Performance of the KPIs are scrutinised in line with contract procedure rules in the monthly Service Operations Board meeting. These include areas such as cleanliness/litter, grass verges, playgrounds, etc.
- A Service Operations report was produced by the contractor detailing performance against KSOs and other performance indicators on a monthly basis and an actions log was maintained monthly by the Council detailing actions, the due dates and progress. We obtained the September 2021 report and confirmed that it covered all relevant information relating to performance against KSOs. In addition, we obtained the minutes of the September and October 2021 Service Operations Board meeting and confirmed that discussion on contract performance was held.
- Where performance was not achieved, there was a PAV applied. This is the estimate of costs incurred by the Council of implementing and managing the service in order to return contract performance to the expected level. This assists the Council in ensuring value for money is achieved from the contract and mitigates the financial impact of poor contractor performance. For example, in September 2021, we obtained correspondence relating to PAV deductions that had been made on the basis of performance not meeting standards set out in KSOs (drainage assets/gullies).
- In addition to the monthly Service Operations Board meeting, there is a quarterly Strategic Partnership Board who review the overall performance of the contract.
- An annual contract performance report was produced, which was presented to the Environment and Community Service Policy Development and Scrutiny Committee. A copy of this report for 2020/21 was provided to us. Our review of the report confirmed that it was detailed and included sufficient information on the performance of the contract in the year.
- Ensuring staff were qualified or had an appropriate vetting was the responsibility of the contractor rather than the Council. As mitigation against this, any issues around quality of contractor staff would likely be picked up by monitoring of works performed as these would be of sub-standard quality, which would lead to remedial action. There is a KSO

(KSO 11- FPA 11) to 'ensure that where appropriate all Service Provider Staff have the required Disclosure and Barring Security checks (DBS) and ensure these are renewed every three (3) years'. This was monitored on an annual basis and the Council obtains assurance over this KSO via the quarterly performance review at the Strategic Partnership Board meetings.

- Where service failures are identified, the contractor review their scheduled work programming following officer input and refresh the respective service level agreements amongst their front-line operatives to improve performance moving forwards.
- Issues with performance would initially be identified and raised through performance reporting and PAVs, then formally through monthly (Service Operations Board) and quarterly meetings (Strategic Partnership Board). We obtained the Service Operations Reports from September to November 2021 and confirmed that performance issues were discussed and resolved.
- Our review of monthly performance monitoring correspondence between the contract owner and the contractor between September – November 2021 confirmed that PAV deductions were applied in September and November 2021. The rationale for deductions was specified and explained in email correspondence, as well as in the Service Operations Report. Invoices for September and November were therefore amended accordingly, and our review of the invoices and the PAV deductions confirmed that they reconciled. In addition, our review of the payment to the contractor from September to November 2021 confirmed that payments were made correctly and had received appropriate authorisation.
- Due to the increased use of public spaces at the beginning of the Covid-19 pandemic, resources were reallocated to ensure public spaces were maintained to the required standard to ensure continuity of service delivery.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

No.	Finding	Risk	Recommendation and Priority	Management Response	Agreed Timescale and Responsible Manager
1	<p><u>Bromley Market Assembly</u></p> <p>The contract management arrangements are not formalised for this contract. There are not weekly or monthly performance meetings. Communication around contract management or invoicing takes place through phone calls or emails on an as-required basis, which we cannot confirm to have had occurred due to lack of documentation.</p> <p>We noted that the contract was due for re-tender in December 2021.</p>	<p>Lack of adequate contract monitoring may result in unclear expectations of services provided, and value for money not being obtained by the Council.</p>	<p>The contract manager should ensure there are sufficient contract monitoring arrangements, proportionate to the size and value of contract. Regular performance review meetings should be held and documented.</p> <p style="text-align: center;">Priority 3</p>	<p>A tender exercise took place at the end of 2021, resulting in the Direct Award of the Market Assembly contract to the incumbent provider.</p> <p>The Contract Manager is progressing the action to organise quarterly contract management meetings and ensure documented records are kept on key decisions. As part of the contract management meetings, performance will be reviewed against KPI's that will be agreed with the Service Provider at the first formal contract management meeting.</p>	<p>30 April 2022</p> <p>Head of Environmental Strategy, Technical Support and Commissioning</p>

OPINION DEFINITIONS

APPENDIX B

Assurance Level

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

Recommendation ratings

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



INTERNAL AUDIT FINAL REPORT
HOUSING, PLANNING AND REGENERATION

REVIEW OF PLANNING APPLICATIONS (PRE-APPLICATION ADVICE SERVICE)

Issued to: Head of Development Management
Assistant Director, Planning and Building Control

Cc (Final only) Director of Housing, Planning and Regeneration
Head of Finance, ECS and Corporate

Prepared by: Principal Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 10th June 2022

Report No.: PLA/01/2022

REVIEW OF PLANNING APPLICATIONS (PRE-APPLICATION ADVICE SERVICE)

INTRODUCTION

1. This report sets out the results of our audit of the Planning Pre-application advice service. The audit was carried out as part of the work specified in the 2022-23 Internal Audit Plan. 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 Department for Levelling Up, Housing and Communities (DLUHC) acknowledges that the approach to pre-application engagement should be tailored to the nature of the proposed development and the issues to be addressed. Local planning authorities are encouraged to take a flexible, tailored and timely approach to the pre-application services they offer, which should be appropriate to the nature and scale of a proposed development. The National Planning Policy Framework recognises that the local planning authority has a key role to play in encouraging other parties to take maximum advantage of the pre-application stage.
3. The Pre-application advice service is demand led, with departmental statistics recording 337 requests received during the 2021-22 Financial Year. Of these, 60% were for 'Non-Major' schemes and 21% for 'Major' schemes. The remaining 14% were Householder Telephone Advice service requests, the purpose of which is to advise on revisions following determination of applications.
4. All Planning Pre-application advice services are chargeable, with each local authority setting its own fee scale. All fees are subject to VAT.
5. We would like to thank everyone contacted during this review for their help and co-operation.

REVIEW OF PLANNING APPLICATIONS (PRE-APPLICATION ADVICE SERVICE)

AUDIT SCOPE

The original scope of the audit was outlined in the Terms of Reference issued in April 2022 and the key risks reviewed were:-

- Pre-application advice service applications are not administered in a fair, consistent, timely and correct manner. Inappropriate advice may be given and incorrect decisions made.
- The Council may be exposed to reputational risk if conflicts of interest, such as self-review threats, are not identified and resolved, adequate steps are not taken to prevent bribery or, if there is insufficient segregation of duties.
- Pre-application advice service fees are not collected at all or in a timely manner.

AUDIT OPINION

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

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

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

REVIEW OF PLANNING APPLICATIONS (PRE-APPLICATION ADVICE SERVICE)

SUMMARY OF FINDINGS

7. Our fieldwork highlighted a number of key strengths. Internal procedures are well documented and information on the website www.bromley.gov.uk is wide ranging. There is clear segregation of duties with three officers involved in all Non-Major and Major Pre-application advice requests sampled. The approval process is robust, advice letters are comprehensive and reflect the requirements of the National Planning Policy Framework and the London and Bromley Local Plans. Consultation with other departments and organisations is evidenced.
8. We would, however, wish to bring the following four areas to Management's attention.

9. **Online Information**

The current online application process does not include the facility for requests for the service and supporting documentation to be submitted via a portal. The application forms, available to download, are in PDF format and therefore cumbersome for the applicant, do not address accessibility issues and the information contained within the form will require re-keying into the Planning Case Management System, creating additional resource requirements.

10. **Key Performance Indicators/Timeliness**

Outturn is currently reported against a Key Performance Indicator of 'Applications decided in/out of time' parameter of 56 days, being the eight week target from validation to advice letter for the Non-Major applications. The statistics and underlying data for the time period 1st April 2021 to 31st March 2022 reflect an average performance for the year of 17.4% of applications decided within time.

During the course of the testing, we identified that:-

- (i) the 'start' of the parameter has been incorrectly attributed to the 'Received' data as opposed to the 'Validated' data and,
- (ii) the calculation includes the Major and the Householder Telephone Advice service applications, which are subject to separate parameters and should, therefore, be excluded.

The parameters for the Major and Householder Telephone Advice service applications, whilst aligned to service objectives, are not currently either measured, or measurable, through fields in the Planning case management system.

REVIEW OF PLANNING APPLICATIONS (PRE-APPLICATION ADVICE SERVICE)

During the testing, we identified delays in validating applications. Whilst Major cases can be complex, we viewed examples of advice letters being issued four and five months after the meeting. None of the Non-Major cases sampled were concluded in less than 56 days.

11. **Anti-bribery arrangements**

Whilst there is clear segregation of duties with a minimum of three officers involved in all Non-Major and Major Pre-application advice requests sampled, and the approval process is robust, an anti-bribery risk assessment has not been completed and Planning specific anti-bribery awareness training has not been provided to departmental staff. The Council may not, therefore, be able to demonstrate that it has taken steps to prevent bribery, resulting in non-compliance with the Bribery Act 2010.

Members of the Royal Town Planning Institute are bound by their Code of Conduct, which includes competence, honesty and integrity as key principles. Whilst planning officers may flag potential conflicts of interest on an ad-hoc basis, there is currently no requirement/process in place to make a formal written declaration for each application.

12. **Reconciliation of Income on the Case Management to the Financial system and underlying discrepancies**

The case management system does not have a direct interface with the financial system and therefore there is no automatic reconciliation of the data (income) recorded on the systems or the compensating control of a manual reconciliation.

During the course of the audit, we identified the following discrepancies:-

- (i) One Telephone advice service request fee was recorded on the case management system as £50 whilst both the receipt and ledger posting stated £100.
- (ii) One Non-Major Pre-application advice service request had not been accompanied by the fee. This had correctly been identified at the validation stage and the applicant advised accordingly. The correspondence issued had incorrectly directed the applicant to the online portal for the income Code for Planning applications, to which fees are credited Gross, and not to the correct portal for the income code for Pre-application advice services, to which fees are credited Net.
- (iii) Two Major Pre-application advice service request fees, which had been paid by BACS, had been credited to the Pre-application advice services income code Gross. For one of these schemes, a subsequent payment of the Net amount had been received two days' later but with a journal date of some two months' later.

REVIEW OF PLANNING APPLICATIONS (PRE-APPLICATION ADVICE SERVICE)

At the time of reporting, it could not be established whether, in two instances, overpayments had been made and whether, in three instances, VAT had been correctly accounted for.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

<p>1. Online information www.bromley.gov.uk</p>	
<p><u>Finding</u></p> <p>The current online application process does not include the facility for requests for any of the three elements of the Pre-application advice service (Major, Non-Major or Householder Telephone Advice) and supporting documentation to be submitted via a portal. The application forms, available to download, are in PDF format and therefore cumbersome for the applicant, do not address accessibility issues and the information contained within the form will require re-keying into the Planning Case Management Software System, creating additional resource requirements.</p> <p><u>Risk</u></p> <ul style="list-style-type: none"> (i) The current process is not customer focused or compliant with the Council’s website’s usability and accessibility standards, meaning that applicants may be discouraged from, or not be able to, access services readily in some instances. (ii) Inability to submit forms via an online portal creates additional resource requirements to re-enter data into systems and may encourage postal/physical drop off at reception areas. 	
<p><u>Recommendation</u></p> <p>Review the application forms on www.bromley.gov.uk for the Pre-application advice service to ensure that all elements meet the Council’s website and accessibility standards and are customer focused.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: #90EE90; padding: 5px; display: inline-block;"> <p>Priority 3</p> </div>

<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>(i) The service will review the pre-application forms to ensure that the Council's website usability and accessibility standards are adhered to. Accountable Manager – Head of Development Management</p> <p>(ii) There is currently no option to submit pre-application enquiries via the Planning Portal. This is a national service and whilst basic planning application forms and submission requirements are consistent across all planning authorities, pre-application processes are not. A bespoke web-form for LBB pre-application enquiries on the Council website would not add any value as it would not directly populate the back-office system and would still require data to be manually entered. However, this will be considered as part of the requirements and specification for the Planning Case Management system replacement software which is on-going. Accountable Manager – Head of Development Management</p>	<p>September 2022</p> <p>In line with software replacement project</p>

2. Key Performance Indicators/Timeliness

Finding

Outturn is currently reported against a Key Performance Indicator of 'Applications decided in/out of time' parameter of 56 days, being the eight week target from validation to advice letter for the Non-Major applications. The statistics and underlying data for the time period 1st April 2021 to 31st March 2022 reflect an average performance for the year of 17.4% of applications decided within time.

During the course of the testing, we identified that:-

- (i) the 'start' of the parameter has been incorrectly attributed to the 'Received' data as opposed to the 'Validated' data and,
- (ii) the calculation includes the Major and the Householder Telephone advice service applications, which are subject to separate parameters and should, therefore, be excluded.

The parameters for the Major and Telephone advice service applications, whilst aligned to service objectives, are not currently either measured, or measurable, through fields in the Planning case management system.

Sample testing of 20 cases identified delays in validating applications. Whilst Major cases can be complex, some advice letters, together with an apology, were issued four and five months after the meeting. None of the Non-Major cases sampled were concluded in less than 56 days.

We reviewed ten additional Non-Major applications which had exceeded the timescale by at least a further 56 days. Whilst five of the cases required consultation with other areas (e.g. conservation/trees) and in three cases an apology had been issued for the delay, citing backlog, no other mitigating circumstances/contributory factors were identified for the delay.

We acknowledge that:-

- (i) the May 2022 Service update confirms the establishment of a Special Case Management team address turnaround timescales to enabling the remainder of the planning officers to focus on determining new applications (which will include the Pre-application advice service) as efficiently as possible and,

(ii) the key performance indicator control is 'in development' as opposed to 'in place'.

However, the current suite of management information (performance standards and milestones) requires further refinement to yield meaningful output which can be used to drive service improvement.

For completeness, to provide further Quality Assurance and to confirm that the relevant action has been taken, the acknowledgement of receipt letters and the Team Leader approval (E mail) of the Pre-application advice to be given for Major and Non-Major cases should be stored within the Case Management system.

Risk

Without a robust information suite, the service is not able to accurately identify areas of weakness in performance, inhibiting the strategic planning and operational control required to drive up performance.

Recommendation

- (i) The dataset for the Pre-application advice service key performance indicator should be reviewed and amended to ensure the correct date parameters and that it captures only the Non-Major Pre application advice service applications subject to the 56 day target.
- (ii) Consideration should be given to the reasonableness of the current Non-Major Pre-application advice service target, how it adds value and whether qualitative measures could be used to drive performance improvement.
- (iii) Consideration should be given to the reasonableness and measurability of the current Major and Householder Telephone Pre-application advice service targets and how they add value. Additionally, the benefits of the Planning Performance Agreement model as a performance tool, as identified by the Head of Development Management, should be considered for the Major Pre-application advice service.
- (iv) Acknowledgement of receipt letters and Team Leader approval of the written Pre-application advice provided should be retained within the Case Management system.

Priority 2

<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>(i) The dataset for the Pre-application advice service key performance indicator will be reviewed and amended to ensure the correct date parameters and that it captures only the Non-Major Pre application advice service applications subject to the 56-day target. It should also be noted that as part of the implementation of a replacement Planning case management system, integrated reporting tools will be required as part of the specification which will allow much better management and monitoring of KPIs.</p> <p>Accountable Manager – Head of Development Management</p>	<p>September 2022</p>
<p>(ii) The current Non-Major Pre-Application service performance target of issuing a response within 8 weeks is consistent with the statutory timescale for the determination of a planning application. The target does add value insofar as managing the expectations of customers, and giving planning officers a manageable target that is consistent with rest of their workflow. It is acknowledged that performance in the issuing of pre-application advice has largely not met this target during the audit period. Pre-application advice is a non-statutory function of the planning authority and is not performance monitored by the DLUHC and the determination of planning applications has been prioritised over pre-applications in an effort to improve performance in that area following a backlog and delays at validation stage.</p> <p>It is an aspiration of the DM service to review the pre-application offer later in 2022 and this will include the quality of service offered including response timescales.</p> <p>Accountable Manager – Head of Development Management</p>	<p>December 2022</p>
<p>(iii) Due to the nature of the Major and Householder Telephone Pre-application advice, the timeliness of their delivery is dependent on outside factors including the availability of the customer for the telephone discussion and meeting. Current targets are in place for certain stages of the process, which are considered to add value in ensuring that contact is made with the applicant in a timely manner and, in the case of the Major Pre-Application advice service that the enquiry is concluded with the issuing of the formal written response in a</p>	<p>December 2022</p>

REVIEW OF PLANNING APPLICATIONS (PRE-APPLICATION ADVICE SERVICE)

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<p>reasonable timescale once the meeting has been held. The Planning Performance Agreement model as a performance tool is already being trialled for the Major Pre-application advice service. This will be reviewed as part of the wider review of the pre-application service mentioned above.</p> <p>Accountable Manager – Head of Development Management</p> <p>(iv) Acknowledgement of receipt letters and Team Leader approval of the written Pre-application advice provided will be retained within the Case Management system. The relevant procedure manuals will be updated to reflect this.</p> <p>Accountable Manager – Head of Development Management (and Planning Support Team Leader)</p>	<p>August 2022</p>
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3. Anti-bribery arrangements

Finding

An anti-bribery risk assessment has not been completed or Planning specific anti-bribery awareness training provided to departmental staff. The Council may not, therefore, be able to demonstrate that it has taken steps to prevent bribery, resulting in non-compliance with the Bribery Act 2010 which could result in reputational damage and prosecution under this legislation.

Whilst members of the Royal Town Planning Institute are bound by their Code of Conduct, which includes competence, honesty and integrity as key principles and they may flag potential conflicts of interest on an ad-hoc basis, there is currently no requirement or process in place to make a formal written declaration for each application to confirm that there are no conflicts of interest or potential impairments to independence and objectivity.

Risk

- (i) The Council is not able to demonstrate that it has taken steps to prevent bribery, resulting in non-compliance with the Bribery Act 2010. This could lead to reputational damage and prosecution under this legislation.
- (ii) Inappropriate decisions are made regarding proposed planning applications due to conflicts of interest and undue influence.

Recommendation

- (i) A bribery risk assessment should be completed to ensure adequate and proportionate procedures are in place to prevent bribery.
- (ii) Planning specific anti-bribery training should be provided, to ensure planning officers are aware of their responsibilities under the Bribery Act 2010.
- (iii) A process should be put in place to ensure that, for each application, any potential or actual conflicts of interest are identified.

Rating

Priority 2

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<p>(iv) Consideration should be given to including the risk of bribery, the cause, effect and the action taken within the departmental risk of 'Planning Service, Failure to deliver statutory requirements related to planning' (Risk 16).</p>	
<p><u>Management Response and Accountable Manager</u></p> <p>(i) A bribery risk assessment will be completed to ensure adequate and proportionate procedures are in place to prevent bribery. Accountable Manager – Head of Development Management</p> <p>(ii) Planning specific anti-bribery training will be provided, to ensure planning officers are aware of their responsibilities under the Bribery Act 2010. Accountable Manager – Assistant Director (Planning and Building Control)</p> <p>(iii) It is considered that the current process, whereby officers are required to complete the Register of Officers Interests (with the AD Planning and Building Control to send annual reminders to the department), and any declarations of interest being declared by the individual officer on a case-by-case basis, is sufficiently robust. All Officers will be reminded of these requirements by the Head of Development Management. Additionally Planning Officers with membership of the Royal Town Planning Institute are bound to follow the Code of Conduct which includes competence, honesty and integrity as key principles. Given the above, having regard to the volume of pre-application enquiries received by the Council the requirement to identify potential conflicts of interest would be disproportionate to the scale of risk to the service and Council as a whole. Accountable Manager – Head of Development Management</p> <p>(iv) Consideration will be given to including the risk of bribery, the cause, effect and the action taken within the departmental risk of 'Planning Service, Failure to deliver statutory requirements related to planning' (Risk 16) Accountable Manager – Head of Development Management.</p>	<p><u>Agreed timescale</u></p> <p>December 2022</p> <p>December 2022</p> <p>N/A</p> <p>December 2022</p>

4. Reconciliation of Income on the Planning Case Management system to the Financial system and underlying discrepancies.

Finding

The case management system does not have a direct interface with the financial system and therefore there is no automatic reconciliation of the data (income) recorded on the systems or the compensating control of a manual reconciliation.

During the course of the audit, we identified the following discrepancies:-

- (i) One Telephone advice service request fee was recorded on the case management as £50, whilst both the receipt and ledger posting stated £100.
- (ii) One Non-Major Pre-application advice service request had not been accompanied by the fee. This had correctly been identified at the validation stage and the applicant advised accordingly. The correspondence issued had incorrectly directed the applicant to the online portal for the income code for Planning applications, to which fees are credited Gross, and not to the correct portal for the income code for Pre-application advice services, to which fees are credited Net.
- (iii) Two Major Pre-application advice service fees, which had been paid by BACS, had been credited to the Pre-application advice services income code Gross. For the latter scheme, a subsequent payment of the Net amount had been received two days later but was showing a journal date of some two months later.

At the time of reporting, it could not be established whether, in two instances, overpayments had been made and whether, in three instances, VAT had been correctly accounted for.

Risk

- (i) Fee income due may not be identified in a timely manner and therefore not collected within the relevant financial year or at all.
- (ii) Duplicate payments and payments to the incorrect account within the Planning Services suite of codes may not be identified
- (iii) VAT may be incorrectly accounted for to HM Revenue and Customs.

REVIEW OF PLANNING APPLICATIONS (PRE-APPLICATION ADVICE SERVICE)

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<p><u>Recommendation</u></p> <p>(i) All discrepancies identified in Finding 4 above should be investigated and remedial action taken as appropriate.</p> <p>(ii) To ensure that all income is accounted for, a periodic reconciliation of the income recorded on both systems should be undertaken with any discrepancies investigated. Should an IT solution not be viable, a periodic manual reconciliation should be undertaken.</p> <p>(iii) At the stage of procuring a replacement Planning service case management system, consideration should be given to the ability to interface with financial systems to automate the reconciliation process.</p>	<p><u>Rating</u></p> <p>Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>(i) All discrepancies identified in Finding 4 above will be investigated and remedial action taken as appropriate.</p> <p>(ii) An IT solution to the reconciliation issue has been previously investigated and found not to be viable. Regular manual reconciliation would be a disproportionate response given the significant time resourcing implications. As a proportionate measure pending the replacement Planning case management software, a periodic (suggest quarterly) random sample will be checked and reconciled between the financial and case management systems.</p> <p>(iii) The Council is in the early stages of procuring a replacement Planning case management system and this may provide an opportunity for integration between planning and finance databases. At the stage of procuring a replacement Planning service case management system, consideration will be given to the ability to interface with financial systems to automate the reconciliation process.</p>	<p><u>Agreed timescale</u></p> <p>August 2022</p> <p>From July 2022 onwards (quarterly)</p> <p>In line with software replacement project</p>

OPINION DEFINITIONS

Assurance Level

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

Recommendation ratings

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

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INTERNAL AUDIT FINAL REPORT

PEOPLE DIRECTORATE

REVIEW OF SPECIAL EDUCATIONAL NEEDS PLACEMENTS AND TRANSITION PROCESS

Issued to: Director of Education
Director of Children's Services
Head of Service, Special Educational Needs
Assistant Director, Children, Education and Families
Director of Finance (final report only)

Prepared by: Principal Auditor

Reviewed by: Head of Audit and Assurance

Date of Issue: 9 June 2022

Report No.: PEO/07/2021

REVIEW OF SPECIAL EDUCATIONAL NEEDS PLACEMENTS AND TRANSITION PROCESS

INTRODUCTION

1. This report sets out the results of our audit of Special Educational Needs (SEN) placements and the transition process. 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 area of SEN has not been subject to internal audit review since 2016, when the planned audit was deferred but limited testing was undertaken and findings were reported on the controls and procedures operating at that time. The SEN budget for the financial year 2021/22 was £17,744,860, and budget monitoring for January 2022 showed a total forecast of £22,832,069, resulting in a predicted overspend of £5,087,230.
3. We would like to thank everyone contacted during this review for their help and co-operation.

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 21 February 2022.
5. We identified the following key risks:
 - Placements of children and young people with SEN may not be effective. Where high level funding is involved, expenditure may not be managed effectively.
 - EHC plans may be continued even though there is sufficient evidence that outcomes have been achieved and resources are no longer required to be committed.
 - The transition process for children and young adults moving to adult provision, with the change in SEN requirements from the Children and Families Act 2014 to the Care Act 2014, may not take place smoothly or be consistently applied.

REVIEW OF SPECIAL EDUCATIONAL NEEDS PLACEMENTS AND TRANSITION PROCESS

AUDIT OPINION

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

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

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

SUMMARY OF FINDINGS

7. Our audit identified areas of good practice and sound controls as set out below:

- The service provided examples of where the costs of comparable placements had been analysed by the SEN team to identify where value for money can be obtained.
- As part of the SEND Quality Assurance and Practice Improvement Framework, there are a number of review and training initiatives in place to drive continuous service improvement, such as the Multi-Agency Group Sampling of EHC plans and monthly sampling of cases by the Director of Education.

REVIEW OF SPECIAL EDUCATIONAL NEEDS PLACEMENTS AND TRANSITION PROCESS

- There is a wide range of information relating to SEN on the Council's website including a 'Preparing for Adulthood' pathways guide. The annual review process is set out clearly with the EHC annual review form to be used.
- When EHC plans are ceased the first and final letters are sent within the timescales set out and include information about the mediation process and right to appeal.

8. Our audit review has, however, identified the following areas which we would like to bring to management's attention:

- There is no check carried out to ensure that funding is available when a placement is made or increase in resources is required as a result of a review of educational needs. The estimated full life costs of a placement are not calculated. The SEN budget monitoring in January 2022 forecast an overall overspend of £5,087,230 at the end of the 2021/22 financial year. The Department of Education have asked to meet with representatives of the Council to discuss financial management of the Council's current Dedicated Schools Grant (DSG) deficit.
- There is a lack of clarity about what costs and elements of a placement should be met by Education and the other stakeholders involved, particularly in cases where there is a multi-agency responsibility for resources. In one instance in our sample we noted that there was a 50:50 split in funding between Education and Social Care, but we could not see evidence of how and why this had been agreed. We were unable to see a signed agreement between the Council and the education provider, setting out the terms and conditions and what costs would be met by the Council, for any of our audit sample of placements.
- There are different arrangements and processes for the various panels which consider, or are stakeholders, for making placements for children and young people with SEN. The format and content in the Multi-Agency Statutory Assessment Panel (MASAP) decision sheet and Post 16 Placement decision sheet varies.
- We found that documentation relating to the SEN placements, annual reviews and EHC plans which had ceased was not readily available and in some cases it was incomplete. No documentation was provided for one of our placement sample, one of our annual review sample and one of our ceased plans sample.
- For 7 out of 25 cases in our sample there was no evidence that an annual review had been completed within the past year. There were instances where an EHC plan had been issued but we were unable to see that an annual review had been completed and instances where an annual review had been completed but there was no evidence that an updated EHC plan had been issued. For Children Looked After, for 5 out of the 10 cases which we sampled there was

REVIEW OF SPECIAL EDUCATIONAL NEEDS PLACEMENTS AND TRANSITION PROCESS

no evidence of an annual review of their EHC plan within the past year. We also identified instances where consideration of the pathways for 'Preparing for Adulthood': Education, employment and training, Independent living, Friends, relationships and my community and Staying healthy, was not evident from the details recorded on the annual review documentation.

- For one young person whose EHC plan was ceasing, the service helpfully provided information about applying for a Disabled Student Allowance and supplying a copy of their EHC plan to the college or university to make them aware of their needs. We did not however see that it had been suggested to others.

We are aware from our discussions with management that they have recently set up and recruited to two new roles to provide additional management for placements and annual reviews.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. 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 SPECIAL EDUCATIONAL NEEDS PLACEMENTS AND TRANSITION PROCESS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

1. Availability of funding for SEN placements	
<p><u>Finding</u></p> <p>Our audit testing identified that there is no check carried out to ensure that sufficient funding is available when a placement is made or increase in resources is required as a result of a review of educational needs. We recognise that the identification of sufficient resources is not solely SEN based and encompasses health and social care funding as well. The estimated full life costs of a placement are not calculated. The SEN budget monitoring in January 2022 forecast an overall overspend of £5,087,230 at the end of the 2021/22 financial year.</p> <p>In conjunction with this, we found out during our audit that the Education & Skills Funding Agency at the Department of Education have asked to meet with representatives of the Council in the near future to discuss financial management of the Council’s current Dedicated Schools Grant (DSG) deficit.</p> <p><u>Risk</u></p> <p>The Council may not be able to meet its current and future spending commitments on placements for children and young people with SEN, leading to the risk of children not receiving the quality of education and high level care that they require.</p>	
<p><u>Recommendation</u></p> <p>Ensure that, in conjunction with the future discussions with the Education & Skills Funding Agency, organisational arrangements are put in place to manage financial demand for SEN placements including the availability of funding:</p> <ul style="list-style-type: none"> (i) when a placement is approved, (ii) when any increase in educational needs requiring additional funding is identified from the annual review of a young person’s EHC plan, and (iii) with an estimate of the full life costs of the placement carried out to inform future financial forecasting. 	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: red; color: white; padding: 5px; text-align: center; width: fit-content; margin: 0 auto;">Priority 1</div>

REVIEW OF SPECIAL EDUCATIONAL NEEDS PLACEMENTS AND TRANSITION PROCESS

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APPENDIX A

<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>Bromley has a DSG deficit and therefore will be subject to a DSG Deficit Recovery Plan. The Education Skills Funding Agency is meeting with Officers on 9th June to review the position and the deficit recovery management plan, which is currently being prepared by officers.</p>	<p>Action: Set out DSG Deficit Recovery Management Plan, to be agreed with ESFA.</p>
<p>Significant cost pressures continue to be experienced from providers increasing the cost of placement well above inflation. The shortage of suitable specialist providers and increased demand has led to providers being able to demand inflated fees and still fill places. Increases to places within Bromley are already reducing the reliance on the independent non-maintained sector and out of borough placements. Some examples of mitigating actions include:</p>	<p>Accountable Manager: Director of Education</p>
<ol style="list-style-type: none"> 1. Commissioning of additional specialist places within Bromley <ol style="list-style-type: none"> a. New special free school expected to offer places from 2023, increasing to 152 over 3 years b. New Additionally Resourced Provisions for 2022 and 2023 2. Review of High Needs Funding Bands through which schools are funded for EHCP provision 3. SEN Estates review to maximise the use of school estate and inform Member proposals for investment of SEN Capital funding 4. Bipartite funding arrangements being sought with health 5. Robust Director sign off process for all placements >£50k 6. Engagement strategy to promote support available without an EHCP 	<p>Timescale: 31st August 2022</p>
<p>The local authority has a statutory duty to secure appropriate education placements for all children and young people (CYP) who have EHC Plans, and therefore the legislation does not allow for a decision to be made based on availability of funding, but the assessed need of each individual CYP. When considering the most appropriate placement, the local authority takes a number of factors into consideration to commission the nearest appropriate provision. This includes location, travel arrangements, and the type of setting that is required and we always endeavour to keep CYP within their local community, wherever possible.</p>	<p>Action: Review the use of full life placement cost as part of the decision-making process</p>
	<p>Accountable Manager: Head of SEN</p>
	<p>Timescale: 31st August 2022</p>
	<p>Action: Establish mechanism for joint and tri-partite funding contributions</p>

REVIEW OF SPECIAL EDUCATIONAL NEEDS PLACEMENTS AND TRANSITION PROCESS

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<p>There is not currently an established and consistent mechanism to achieve appropriate funding contributions for SEN placements, particularly where there is a significant health or social care need. Discussions with senior leaders have taken place to review the system and seek to establish decision making mechanisms across the partnership. In addition, the service is looking at ways in which it can draw on the expertise of the central placements team (CSC brokerage for residential placements) to support the same work required in SEN to provide consistency in negotiation, contracting and monitoring.</p> <p>The service provided examples of where full life costings are utilised and this is typical practice in the event of a tribunal appeal. Full life cost is helpful for comparison purposes, where there is more than one placement option available. We will explore the use of full life costings as part of our decision-making processes.</p>	<p>Accountable Manager: Director of Education</p> <p>Timescale: 30 September 2022</p>
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2. Identification and confirmation of costs

<p><u>Finding</u></p> <p>We saw examples of where a school's placement costs are challenged successfully by the SEN team, where they consider that the cost is too high or the level or type of resource is above what is necessary. We identified however that there is a lack of clarity about what level and type of costs should be paid for and by whom. The following examples were noted:</p> <ul style="list-style-type: none"> • The funding for a residential placement showed a 50:50 split between Education and Social Care but we did not see any evidence of how and why that split had been agreed. • We were also unable to see any signed agreement for a placement signed by the Council and the school for each placement once the placement has been agreed, setting out respective responsibilities and terms and conditions. • A school had included insurance as a cost to be paid by the Council, although it was not specified what type of insurance or why. We were unable to see whether or not this had been paid subsequently. • For nine placements we were unable to see supporting evidence for the costs being charged by a school and where there were queries documented on the decision sheets about the accuracy of the costs we were unable to see that these had been resolved subsequently.
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REVIEW OF SPECIAL EDUCATIONAL NEEDS PLACEMENTS AND TRANSITION PROCESS

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APPENDIX A

<p><u>Risk</u></p> <p>Without clear identification of costs, and clear responsibility of who should meet those costs, there is a risk of overpaying for costs and services, leading to a lack of available funding for other areas of SEN.</p>	
<p><u>Recommendation</u></p> <p>Ensure that all costs relating to a placement are clearly defined and documented and responsibility for paying them is assigned, including a signed agreement with a school or college where necessary.</p>	<p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>There is not an established and consistent mechanism to achieve appropriate funding contributions for SEN placements, particularly where there is a significant health or social care need. Discussions with senior leaders have taken place to review the system and seek to establish decision making mechanisms across the partnership. In addition, the service is looking at ways in which it can draw on the expertise of the central placements team (CSC brokerage for residential placements) to support the same work required in SEN to provide consistency in negotiation, contracting and monitoring.</p> <p>The use of agreements is typically in place for the majority of the Independent & Non-Maintained sector. The service is actively seeking to recruit additional resource into the SEN Data and Finance team to add capacity, which will focus on a contracting system for all placements in the independent sector. Decision documentation to be revised to clearly outline the contributions across the partnership for education placements, particularly for residential placements and those with health needs.</p>	<p><u>Agreed timescale</u></p> <p>Action: increase resource to establish a consistent contracting system for all placements at Independent & Non-Maintained settings. Revise decision making documentation to include funding contributions across health and social care.</p> <p>Accountable Manager: Head of Service SEN</p> <p>Timescale: 30th September 2022</p>

REVIEW OF SPECIAL EDUCATIONAL NEEDS PLACEMENTS AND TRANSITION PROCESS

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

3. Decision making process for placements and ceasing EHC plans

Finding

There are different arrangements and processes for the different panels which consider, or are stakeholders, for making placements for children and young people with SEN. These consist of the Post 16 Placement Panel, Multi-Agency Statutory Assessment Panel (MASAP), and Match Panel. The Terms of Reference for MASAP are currently being reviewed by the Head of Service.

The MASAP Decision sheet and Post 16 Placement decision sheet vary in format and content. In one case from our audit testing of placements we identified that views were still being sought from the previous social worker when the placement was agreed. In another case, whilst the Post 16 Placement Panel decision sheet showed the rationale for the placement and the reason for the decision, there were no signatures showing authorisation of this or the authorisation date.

An Officer Decision sheet is used to document and authorise placement decisions made by the SEN team but not when a decision is made to cease an EHC plan. Our testing of a sample of EHC plans which had ceased identified one instance where an Officer Decision sheet had been prepared but there was no evidence of it being authorised by an appropriate officer.

Risk

Where there are different decision making processes they may result in a lack of available information to make a decision timely, which may have a detrimental impact on the consistency and quality of decisions made.

Recommendation

Review existing decision-making processes for children and young people with SEN, to ensure that the decision making process is clear to all those involved in, there is transparency of information and evidence of authorisation of decisions.

Rating

Priority 2

REVIEW OF SPECIAL EDUCATIONAL NEEDS PLACEMENTS AND TRANSITION PROCESS

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<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>The decision-making documentation is different for post-16 placements within independent specialist settings, which is as a result of a separate decision-making panel and joint decision making with adult social care for post-18 residential placements. The service has recently recruited an SEN Placements Manager, who will be responsible for providing leadership and oversight of the education placements for children and young people who have EHC Plans, aged 0-25yrs, ensuring full compliance with legislative and policy requirements within the statutory timescales. This role will have responsibility for reviewing the decision-making process and ensuring that placement decisions are robust and clear, with a strong audit trail. In addition, the service is starting to use SharePoint for decision making, with work flows in place to track authorisations within agreed delegated authority.</p> <p>The service has also recently recruited an SEN Annual Reviews Manager, who has a specific responsibility overseeing the process of ceasing EHC Plans. The service now requires all decisions to cease an EHC Plan to be signed off by a senior manager and the SEN Annual Reviews Manager will ensure that this approach is applied consistently across the service. This role will focus on improving practice in transition planning and ensuring strong outcomes and planning for the transition from formal education, including ceasing EHC Plans.</p>	<p>Action: establish one 'decision making document' for all decisions; placements, funding and ceasing EHC Plans</p> <p>Accountable Manager: Group Manager SEN Statutory Assessment Team</p> <p>Timescale: 30th September 2022</p>

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4. Availability of documentation and information to support decisions made	
<p><u>Finding</u></p> <p>Our audit testing identified gaps in information and the ready availability of documentation relating to the SEN placements, annual reviews and EHC plans which had ceased. No documentation was provided for one of the placements, one of our annual review sample and one of our ceased plans sample. We are aware from discussion with the Head of Service that Share Point is being considered as an option for recording and maintaining information and documentation, including a workflow process for any documents requiring authorisation. This is particularly important for any hard copy documentation held, where access to it may be required urgently or business continuity may be affected in the event of an unexpected incident.</p> <p><u>Risk</u></p> <p>Key information and documentation is not always readily available when required, leading to the risk that decisions made and actions taken throughout the lifecycle of a case cannot be verified and substantiated. Legislation relating to records retention may not be complied with.</p>	
<p><u>Recommendation</u></p> <p>Review current arrangements to ensure that key information and documentation relating to SEN cases is stored securely, easily identifiable and readily available.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: yellow; padding: 5px; display: inline-block;">Priority 2</div>
<p><u>Management Response and Accountable Manager</u></p> <p>The service has reviewed the use of SharePoint in order to improve information sharing and accessibility. SharePoint is being rolled out and used to hold case information, which will improve accessibility and availability. In addition, we will consider the use of the 'chronology' tool on Capita ONE which is similar to the observations tool in CareFirst/Liquid Logic.</p>	<p><u>Agreed timescale</u></p> <p>Action: fully roll out the use of SharePoint which will ensure information is readily available and accessible. Consider the</p>

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	<p>use of the 'chronology' tool on Capita ONE</p> <p>Accountable Manager: Group Manager SEN Statutory Assessment Team</p> <p>Timescale: 30th September 2022</p>
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5. Annual reviews as part of transition process

Finding

A key part of the transition process is the annual review of a young person's EHC plan. Our audit testing found that for 7 out of 25 cases in our sample there was no evidence that an annual review has been completed in the past year. In 3 cases an updated EHC plan had been issued but we were unable to see that an annual review had been completed. For 6 out of our sample of 25 an annual review had been completed but no updated EHC plan had been issued.

For Children Looked After, in all 10 cases sampled there was no evidence of an annual review being carried out in conjunction with a Care Plan review. For 5 out of 10 sampled there was no evidence of an annual review of their EHC plan within the past year.

For 6 out of 13 annual reviews completed within the past year we were unable to see that each of the pathways for 'Preparing for Adulthood': Education, employment and training, Independent living, Friends, relationships and my community and Staying healthy, were considered. In one case from our sample, the annual review was a collection of documents from the college instead of a completed annual review form and so there was no evidence of a formal 'sign off' of the review by a headteacher/principal. Whilst the school or college can

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use their own version of an annual review form, the annual review guidance set out by Bromley Council must be followed and it must be signed off.

In four cases we could not see evidence that that the young person was involved in the review. The reason why they were not involved was not documented. In one case the annual review included a comment that the young person’s mother wished to write a statement for his family’s views but this was not seen. In another case there was an email from an SEN officer to a Care Manager in Adult Social Care saying 'I am in the process of ceasing JH’s EHCP as of the end of this academic year. Could you please confirm that his care and support needs will be transferred to Adult Social Care after this date.' We did not see a response to this. In one case, as a result of an exchange of emails with another Authority, a member of the SEN team stated that Bromley Council was financially liable for the young person since moving to that other Authority. It was however unclear whether or not Bromley Council had paid for his education for the four years in question.

Risk

Where a child or young persons’ needs have not been reviewed within the past year, any changes in provision required may not have been identified, leading to a risk that increased educational and care needs have not been addressed.

Recommendation

Design and implement arrangements to ensure that annual reviews of EHC plans are carried out timely and comprehensively with focus on the transition process for those leaving formal education. Completed annual reviews which the SEN team consider are good practice examples could be redacted and used to help guide schools and colleges.

Rating

Priority 2

Management Response and Accountable Manager

Monthly meetings take place between Virtual School and SEN and there is now a shared database on SharePoint; These are now well established and enable focus on CYP with changing needs/ placements; monthly cases are reviewed to update on progress. Placement Manager will lead on this work from 30th May 2022

Agreed timescale

Action: New systems will be in place and training

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<p>Combined EHCP/PEP meetings for children placed out of Borough as LAC or on CP Plan are attended by Virtual School as LA representative; Systems will be formalised now that the SEN Annual Review Manager is in place. There is often a complexity to each individual case and the stability of placements are often impacted. The service has provided a separate response to the individual cases reviewed which outlines the challenges in each case, often due to the fluid nature of the situation and particularly where placed in other boroughs. It is however acknowledged that the service needs to strengthen its assurance that other boroughs are completing the annual reviews in a timely way where placed outside of the borough.</p> <p>There will be an enhanced quality assurance focus on Annual Review Meetings, paperwork /records post meeting and in the quality assurance of draft amended final plans before issuing for consultation. Good practice examples will be shared widely in team meetings to improve outcomes for families and CYP.</p>	<p>provided to the case working team</p> <p>Accountable Manager: Group Manager SEN Statutory Assessment Team</p> <p>Timescale: 30th September 2022</p>
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6. Options available to a young person when their EHC plan ceases

<p><u>Finding</u></p> <p>In one instance where a young person’s EHC plan was ceasing, the SEN officer suggested that they apply for the Disabled Student Allowance and supply a copy of their EHC plan to the college or university which they were due to attend, to make them aware of their needs. We recognised that as a useful and positive initiative but from our sample testing we did not see it suggested to any other young people whose EHC plans were ceasing.</p> <p><u>Risk</u></p> <p>A young person may not be made aware of action that they could take when their EHC plan ceases, leading to a loss of available income and their needs not being recognised and addressed at a place of higher education.</p>

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<p><u>Recommendation</u></p> <p>Introduce a paragraph, in the letter that informs a young person and their parents that their EHC plan will cease, about applying for a Disabled Student Allowance and supplying a copy of their EHC plan to their college or university.</p>	<p><u>Rating</u></p> <p style="text-align: center;">Priority 3</p>
<p><u>Management Response and Accountable Manager</u></p> <p>This wouldn't be included in a cease letter if a CYP was not going on to university. The service will ensure that there is a separate template letter for YP going on to university where this paragraph is routinely included.</p>	<p><u>Agreed timescale</u></p> <p>Develop separate template cease letter for YP going to university</p> <p>Accountable Manager: Head of SEN</p> <p>Timescale: 30th June 2022</p>

OPINION DEFINITIONS

Assurance Level

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

Recommendation ratings

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

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

Value Added Tax (VAT) Arrangements 2021-22

Issued to: **Head of Corporate Finance and Accounting**
 Director of Finance
 Principal Accountancy Assistant

Prepared by: **Senior Internal Auditor (Mazars LLP)**

Reviewed by: **Internal Audit Manager (Mazars LLP)**
 Partner (Mazars LLP)

Date of Issue: **30 May 2022**

Report No.: **Corp/02/2020**

INTRODUCTION

1. This report sets out the results of our internal audit of Value Added Tax (VAT) arrangements. The audit was carried out as part of the work specified in the Internal Audit Plan for 2021/22 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. We reviewed the arrangements in place for oversight and control over VAT arrangements, as well as the reliability of records, integrity of information and compliance with relevant regulations. The audit objective was to provide an independent opinion on the adequacy and effectiveness of the control environment as it relates to VAT processes. This area has been included on the Internal Audit Plan for 2021/22 as it has not been reviewed in recent years.
3. The application of VAT is ever-changing as new policies and funding streams emerge and new ways of delivering public services evolve. Councils must ensure they are up to date with these changes in order to receive the correct refund of VAT incurred and, importantly, in order to plan services and projects so that VAT does not become an unexpected burden.
4. Therefore, Council VAT managers and their Section 151 officers must ensure their authority's compliance with all statutory and regulatory requirements in respect of taxation. This includes the digital submission of all appropriate returns as and when required, as well as to ensure that their authority pays all taxes which it is legally obliged to do and recovering all monies to which it is entitled, by way of refunds, reliefs and rebates.
5. The Council have a VAT officer who has the delegated responsibility to collate, check and submit VAT returns.
6. The fieldwork for this review was completed remotely 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 February 2022.
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. We considered the following key risks inherent to the VAT process:

- There may be a lack of awareness or understanding of VAT processes causing inconsistent or incorrect processing of VAT. This may result in financial loss or penalties from HMRC.
- Financial loss is incurred as a result of penalties where:
 - VAT has not been correctly applied to invoices paid by or issued to the Council;
 - VAT returns have not been submitted in accordance with HMRC deadlines; and
 - Making Tax Digital requirements have not been complied with.
- Financial loss is incurred where income due from HMRC has not been received.

AUDIT OPINION

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

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

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

SUMMARY OF FINDINGS

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 VAT procedural guidance relied upon by the Council was Her Majesty’s Revenue and Customs (HMRC) guidance available via the HMRC website. Whilst this ensures officers regularly refer to the HMRC guidance, the Council had not translated this guidance into local procedure notes or guidance for their systems and processes to direct officers on completion of key VAT related activities, such as completing and submitting the VAT Return (*see issue 1 in detailed findings section*).
- Financial Regulations are in place for the Council, dated 2020. These cover VAT as follows:

REDACTED

- Chief Officers must ensure that VAT is identified and correctly accounted for in respect of all income and expenditure (including imprest) in accordance with current VAT Regulations. Failure to do so can lead to loss of income and/or imposition of penalties by HM Revenue and Customs.
- VAT should not be paid unless the supplier's VAT registration number is shown on the invoice. Certifying officers (as defined in Section 8 of these Regulations) shall satisfy themselves that all suppliers' invoices for goods, works or services have complied with relevant VAT legislation.
- Officers responsible for instigating income collection for the Council shall satisfy themselves that the Council has complied with the relevant VAT legislation with regard to the supply of its services.
- VAT should only be accounted for on imprest payments where the supplier's VAT registration number is shown on the receipt.
- The Principal Accountancy Assistant, the Council's VAT officer, explained that there was not any formal training provided to staff within the Council in respect of VAT. Informal training is provided where needed through on the job training. The Principal Accountancy Officer also circulates relevant and useful information to staff through emails. The Principal Accountancy Assistant undertakes regular training in the form of attending webinars and forums organised by Tax bodies and professional services firms.
- The Principal Accountancy Assistant explained that there are a number of different checks conducted on VAT amounts and returns before submission. Examination of the documentation relating to the December 2021 VAT return confirmed the following checks were completed:
 - The VAT officer was informed by email from staff of any issues that may result in VAT adjustments.
 - VAT payable check - variances between actual and calculated were analysed by supplier and investigated.
 - VAT receivable check – a report was produced to show invoices raised with no VAT and checks were performed on these invoices that confirmed that they are related to credit notes, lettings, rents and room hire.
 - Expenses check – check to ensure supporting documentation was in place.
 - VAT on car mileage was provided by the Council's payroll provider.
 - Review of items via the cashiers system - data was retrieved from this system on all the different fund codes and total VAT charged. The checks confirmed that the correct VAT code has been applied in each of the fund areas.

- The reconciliation was conducted using all of the above checked evidence. This spreadsheet detailed the total VAT claim for the accounting period based on figures derived from the Council's financial system. Examination of the reconciliation completed for December 2021 found that these were not subject to second officer checks or approval (*see issue 2 in detailed findings section*).
 - VAT Returns are submitted to HMRC every accounting period (three months). A review of the December 2021 VAT Return confirmed that this was complete and submitted within the timeframes.
 - Through discussions with the Principal Accountancy Assistant and an examination of the VAT notice on the government website, it was confirmed that the Council and officers are aware of the Making Tax Digital (MTD) requirements and have implemented software to support implementing the principles of MTD.
 - The Principal Accountancy Assistant explained that where customers have paid less VAT than the Council have paid on purchases, HMRC will repay the difference. This difference amount is highlighted in the VAT returns produced and submitted to HMRC by the Council and repayments are usually made within 30 days of HMRC receiving the VAT return. Where the Council have not received repayment within 30 days, HMRC are contacted, and repayments are subject to a 'repayment supplement'. As part of the audit, evidence of the contact with HMRC was requested but was unable to be provided (*see issue 3 in detailed findings section*).
13. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified. Any recommendations to management are prioritised in line with the criteria set within Appendix A.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

No.	Finding	Risk	Recommendation and Priority	Management Response	Agreed Timescale and Responsible Manager
1	<p><u>Key Person Risk</u></p> <p>Examination of the procedural guidance in place for the completion and submission of VAT Returns found that this is the HMRC guidelines.</p> <p>The HMRC guidance has not been translated into local procedure notes or guidance to direct officers on the completion and submission of VAT Returns using the Council systems and processes in the event of key officer absence.</p>	<p>The Council may be unable to complete and submit VAT returns correctly and in a timely manner where a critical employee is absent for any extended period of time.</p>	<p>The Council should develop a specific technical and operational guidance document for VAT Returns and make this accessible to other staff as appropriate.</p> <p>There should be appropriate contingency plans in place in the event of absence of the Principal Accountancy Assistant.</p> <p style="text-align: center;">Priority 2</p>	<p>Agreed.</p>	<p>Senior Accountant (Technical and Control)</p> <p>31/08/22</p>
2	<p><u>VAT Reconciliations</u></p> <p>Monthly reconciliations of VAT returns to the tax liability accounts in the general ledger are conducted by the</p>	<p>This increases the risk that incorrect VAT returns are submitted which could lead to potential financial loss to the Council as a result of penalties.</p>	<p>The Council should ensure independent review and approval of the monthly reconciliations is conducted by Senior Management, for example the Head of Corporate Finance and Accounting.</p>	<p>Agreed. The Senior Accountant (Technical and Control) will perform the independent review.</p>	<p>Senior Accountant (Technical and Control)</p> <p>31/08/22</p>

Value Added Tax (VAT) Arrangements 2021-22

REDACTED

	<p>Principal Accountancy Assistant.</p> <p>We noted through discussions with the Principal Accountancy Assistant that management have oversight, however there is no independent review and sign off of the reconciliation.</p>		<p>Evidence of this should be retained.</p> <p>Priority 3</p>		
3	<p><u>VAT Refunds</u></p> <p>In the event that customers have paid less VAT than the Council, HMRC will repay the difference. Repayments are made within 30 days and the Council contacts HMRC if payment has not been received within this timeframe.</p> <p>The Principal Accountancy Assistant is responsible for chasing HMRC for payment. However, the Council do not retain evidence or the details of the contact with HMRC requesting payment of VAT repayments.</p>	<p>This increases the risk that VAT refunds are not chased appropriately and income due to the Council is not received.</p>	<p>The Council should retain records of chasing HMRC for VAT refund repayments and the details of contact with HMRC should be stored in a suitable location, for example a shared folder, that is accessible to relevant staff.</p> <p>Priority 3</p>	<p>Agreed.</p>	<p>Senior Accountant (Technical and Control)</p> <p>31/08/22</p>

Value Added Tax (VAT) Arrangements 2021-22

Opinion Definitions

APPENDIX A

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Opinion Levels

Risk rating	Definition
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