

## **AUDIT SUB-COMMITTEE**

Minutes of the meeting held at 7.00 pm on 26 February 2020

### **Present:**

Councillor Neil Reddin FCCA (Chairman)  
Councillor Robert Evans (Vice-Chairman)  
Councillors Gareth Allatt, Ian Dunn, Keith Onslow,  
Tony Owen and Stephen Wells

### **Also Present:**

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

No apologies were received

#### **26 DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **27 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 17th OCTOBER 2020--EXCLUDING EXEMPT INFORMATION**

The Minutes of the meeting held on 17<sup>th</sup> October 2020 were agreed and signed as a correct record.

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

No questions were received.

#### **29 MATTERS OUTSTANDING FROM THE LAST MEETING-PART 1**

##### **CSD 20027**

The Committee noted the report on matters outstanding. A Member referred to the matter pertaining to the audit that had taken place regarding Starters and Leavers. He asked if the status of the matter (marked as 'completed') was correct. The Head of Audit and Assurance explained that the matter was complete in that it had been flagged for the attention of the Chief Executive and that he had requested that Directors and Heads of Service deal with the recommendations as a priority. The Head of Audit and Assurance advised that follow up work would be undertaken to ensure that the recommendations were being implemented.

A query was raised in relation to progress being made concerning the objections to the Council's accounts. It was noted that in this regard, work was still being undertaken by KPMG.

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

**30           QUESTIONS ON THE AUDIT REPORTS PUBLISHED ON THE BROMLEY COUNCIL WEBSITE**

No questions had been received regarding the internal audit reports that had been published on the Council website.

**31           ANNUAL INTERNAL AUDIT PLAN 2020-2021**

**FSD 20025**

Members were presented with the draft Annual Internal Audit Plan for noting and approval. The processes undertaken to draft the Plan were outlined by the Head of Audit and Assurance. The Plan and Charter would be considered as part of a peer review in 2021. It was noted that an updated Internal Audit Charter had also been submitted for comment and approval. The Internal Audit Charter highlighted that as the reporting line for insurance matters was now through the Head of Audit and Assurance, it set out safeguards to preserve independence.

The Chairman referenced the planned audit of FOI and Subject Access Requests. He wondered how effective LBB was in managing demand. The Head of Audit and Assurance replied that a review of the arrangements in place would be undertaken, along with an identification of weaknesses.

The Chairman highlighted that following the introduction of the Criminal Finances Act, HMRC required a risk assessment to be undertaken to look at controls in place to prevent tax evasion by individuals, as well as corporate tax offences. All companies were required to undertake this risk assessment, and this had been requested by the Chief Accountant. LBB's Tax Advisors would be running a half day course on this.

The Chairman referred to the proposed audit of the Virtual School which fell under the remit of the Children's Social Care Division. It was noted that the former Head had now retired and that her replacement needed time to settle in. A meeting had taken place with Children's Services which had been useful, and they were keen for this audit to take place.

A Member asked a question regarding the monitoring of Environmental Services Contracts. It was clarified that Internal Audit would not be looking at all ECS contracts, but would be looking at a sample. A qualitative review of the contract monitoring information would be undertaken.

A Member enquired if an audit could be undertaken solely of the Carefirst system. The Head of Audit and Assurance answered that a designated project

team had been assigned to deal with the replacement for Carefirst. Some of the current problems associated with Carefirst usage related to user error, others to system design. It was envisaged that these issues would be factored into the new system design.

A Member made a comment with respect to the monitoring of contracts. He said that in the industry that he had been working in previously, a contractor had to deliver on time every time, otherwise the supplier would lose the contract. He expressed the view that it was a waste of time and money to keep monitoring contracts. The Head of Audit and Assurance responded that in his experience it was necessary to undertake in-house monitoring of contracts. In certain fields there was not always adequate competition to easily exit contracts.

A Member congratulated the Head of Audit and Assurance on a good Internal Audit Plan. He also referenced the Merit Award Scheme which was included in the plan and commented that in other organisations he had seen such schemes being abused.

A discussion took place regarding the Essential Car User Scheme, and what sort of checks should be undertaken.

A Member raised the matter of succession planning and asked if this could be audited. The Head of Audit and Assurance acknowledged the importance of succession planning and said that this was partly covered in the Workforce Planning audit carried out last year. It was an issue that could be looked at as part of the Transformation Programme.

A Member stated that he would appreciate if an update on the Mortuary Contract could come back to the Committee after the audit had been completed.

**RESOLVED that**

- 1) The 2020/2021 Audit Plan is approved.**
- 2) The Internal Audit Charter is approved.**
- 3) An update is provided to the Committee in due course regarding the audit of the Mortuary Contract.**

**32 INTERNAL AUDIT PROGRESS REPORT**

Members were appraised regarding progress made concerning the previous 4 Priority 1 recommendations that had been made with respect to Strategic Property. The Head of Audit and Assurance said that three out of the previous four recommendations had been implemented. However, the target to hit £1m savings via the Income Generation Plan had not been reached. The Head of Asset and Investment Management attended the Committee to update on this matter and to answer any questions that Members wished to ask.

The Head of Asset and Investment Management explained that a report had gone to the Executive, Resources and Contracts Committee in November 2019, whereby Cushman and Wakefield (C&W) had estimated that they had achieved savings up to that point of £850k. It was explained that C&W were contractually not entitled to any incentive payments unless they had achieved real savings of £1m or more.

The Head of Asset and Investment Management expressed the view that some of the savings that had been claimed by C&W had been achieved prior to out sourcing. He said that eight areas where C&W had claimed to have made savings were invalid. This meant the £850k figure would reduce. Resultantly, no incentive payment had been paid to C&W. It was reported that C&W had not been providing support to local teams on site, and had been penalised for this. The Head of Asset and Investment Management expressed the view that the £1m target would not be achieved.

A Member referred to the figure of eight cases where the savings outlined were likely to be invalid. He asked what this meant in percentage terms. Mr Watkins answered that the list of savings/income generation received from C&W contained a total of 70-80 items, and so the percentage was in the region of 10%. The £1m income generation target was over a three year period. It was explained that the total value of the eight cases being removed from the list relating to income generation would account for income in the region of £77k. If this figure was therefore deducted from the £850k figure claimed by C&W, it would mean that in real terms C&W would need to produce in the region of another £225k in savings to hit the income generation target.

Members were presented with the Internal Audit Progress Report which updated Members of recent audit activity across the Council and provided updates on matters that had arisen from previous meetings of the Committee. Members were being asked to note and comment on the report. They were also being asked to note the list of Internal Audit Reports that had been published on the Council's website.

Members were informed that the audit of the Transformation Programme had gone well and the audit opinion was 'Substantial'.

The Head of Audit and Assurance appraised Members regarding the Council Tax audit, the purpose of which was to review governance and mitigate risk. The audit had resulted in two Priority 2 recommendations and one Priority 3 recommendation. The Audit opinion was 'Reasonable'. It was noted that a new Revenues Monitoring Officer had been appointed who would monitor the timeliness of the authorisation of write off batches.

The Head of Audit and Assurance summarised the main issues arising from the audit of **Deferred Payments**. He said that the Policy Agreement needed to be reviewed and reported that there were inconsistencies with the way that data was entered into the Carefirst system. Letters to service users were in

some cases not clear and some contained errors. There had also been delays in the processing of the deferred payment applications. A Member hoped that the current problems being experienced around Carefirst would be eradicated when the replacement system was operational.

A Member expressed the view that the approach taken by Internal Audit was process driven rather than people driven. He asked if this was going to change. The Head of Audit and Assurance responded that the Internal audit Team was also concerned with customer impact and customer experience. They hoped that their audits would result in outcomes that would enhance customer experience. He added that these cases often involved people with complex situations and other auditors were mindful of other factors that had to be dealt with like staff turnover. Internal Audit was keen to ensure that people were receiving a good service.

A Member asked if process maps were used. The Head of Audit and Assurance responded said that process maps were used in some cases, and in cases where they were available they were helpful to Internal Audit.

The Audit opinion for Deferred Payments was '**Reasonable**'. Six recommendations had been made, four of these were Priority 2 recommendations, and two were Priority 3 recommendations.

An update was provided on the audit of **Emergency Planning and Business Continuity**. The Head of Audit and Assurance expressed the view that Mr David Tait (LBB Lead for Business Continuity and Emergency Planning) was doing a good job. Mr Tait had commented that the audit report had been helpful. At the time of the audit it had been found that not all of the Business Continuity Plans were ready. However, this was no longer the case, and all departments now had business continuity plans in place.

A Member asked if plans were in place to deal with a possible expansion of Coronavirus infections. It was noted that Public Health were leading on this. He also asked if plans were in place to deal with the possibility of social workers being infected which would affect the support that they provided to those who were vulnerable or in need of help and support in some way. The Head of Audit and Assurance responded that plans were in place, and that a co-ordinated response was being led by Public Health England but he was not sure what the precise plans were with respect to social workers.

The Committee heard that the audit of **Procurement Cards** had caused some cause for concern and consequently three new Priority 1 recommendations had been made. At the time of the audit, the signed contract with the bank could not be found, but it had been produced subsequently. The audit had identified that controls were either not in place or had not been working properly. Cards had been used to purchase meals for individuals and teams and the appropriateness of this had been questioned. This had the knock on effect of possible tax and national insurance issues which resulted in a separate report on this being issued.

It had also been identified that a large number of procurement transactions had not been submitted and/or approved in a timely manner. It was reported that since the audit was undertaken, a number of the identified issues had been addressed by management. The audit had resulted in three Priority 1 recommendations and seven Priority 2 recommendations. The Audit opinion was 'Limited'.

An update was provided on the matter of **Tax and National Insurance** payable as a result of the use of procurement cards for things like a 'thank you' meal for officers at the end of a long project, or for a celebration meal to acknowledge long service. In other cases, merit awards had been paid to agency staff and contractors. In both of these areas, Tax and National Insurance should have been paid to HMRC but was not. LBB had applied retrospectively to HMRC for permission to pay any amounts outstanding, together with any penalties. Fresh guidance had been issued, along with Managers' briefings and there would be a follow up audit regarding tax and NI contributions in the next financial year.

In this case, Internal Audit did not provide an audit opinion as they had not assessed the full range of controls in this area.

The Chairman enquired if certain types of transactions could be blocked by the card provider. The Head of Audit and Assurance said that this was possible. It was pointed out that in some cases, cash was required. Cash was normally used by the Trading Standards Team when undertaking test purchases. If there was an emergency type situation (like Grenfell) then access to cash would probably be required.

The Chairman queried the payment of merit awards to agency staff. The Head of Audit and Assurance responded that the guidance from Human Resources was that agency staff had the right to be treated the same way as permanent staff in this regard. It was expected that a clear policy would be developed.

An update was provided on the audit of the **Main Accounting System and General Ledger for 2019/2020**. Controls were operating effectively in a number of areas and cost centres and account codes were being created following the correct procedures. A Member queried if staff could 'miscode' to keep within budget. The Head of Audit and Assurance responded that this should not happen as it should be picked up by the Budget Manager.

There were several areas where management attention was required and the Audit opinion was 'Reasonable'. One Priority 2 recommendation was made, along with two Priority 3 recommendations.

The Committee received an update regarding the audit of the **SFT (Schools' Finance Team)**. The SFT was previously an in house department, but had been out-sourced as part of the Exchequer Services Contract. The Council staff had been working in the LBB SFT had been TUPE transferred across.

The Audit opinion was 'Reasonable' for the Exchequer contractor, but was 'Limited' with respect to the way the Council was managing the contract. A new Priority 1 recommendation had been raised with regard to contractual reporting.

Members were updated regarding the audit of **Insurance**. It was noted that in this case, to avoid a possible conflict of interest, the audit was undertaken by Mazars, and this was reported back to the Director of Finance. The Head of Audit and Assurance commented that the appointment of an Insurance and Risk Manager had proved invaluable.

A brief discussion took place regarding the possibility of insuring in house.

It was noted that there were two areas where management attention was required and consequently one Priority 2 recommendation was made, along with one Priority 3 recommendation. The Audit opinion was 'Reasonable'.

An update was provided regarding the follow up work undertaken subsequent to the **Leaving Care Audit of October 2018**. A new Head of Service had been appointed and new reconciliation procedures had been introduced. Resultantly, audit testing could only be undertaken for transactions carried out during December 2019. A follow up would be undertaken prior to the June 2020 meeting of the Committee.

Members were pleased to note that significant improvement had been made with respect to the management of the **Arboricultural Services contract**.

An update was provided on the follow up audit regarding **No Recourse to Public Funds**. Members were pleased to note that working practices had changed and these were supported by procedure notes. There had also been some redesign of services which had enabled the consolidation of a central point of responsibility to be facilitated. It was too early to conduct an effective audit to give assurance that the Priority 1 recommendation had been fully implemented. However, Internal Audit was able to confirm that satisfactory progress was being made.

The Head of Audit and Assurance updated Members with progress being made to implement the Priority 1 update for the audit of **Domiciliary Care Contract Management**. All three providers had now been contacted in an effort to complete the sign off of the extension letters. In one case this had been successful, and in another case the documentation had not been returned. In the third case, the LBB Head of Service had made contact with the Company Director, and the extension document had been signed and returned. It was reported that this provider had subsequently requested an uplift to their rates.

The Head of Audit and Assurance summarised by saying that the recommendation would remain open until Internal Audit were satisfied that the new procedures and checks were fully implemented, and that all of the

providers in the original audit had completed and returned all the relevant documentation.

It was noted that the Priority 1 recommendation regarding **Creditors** had been implemented.

Members received an update regarding progress that had been made since the **Starters and Leavers** audit. Managers had been instructed by the Chief Executive to follow the procedures. Although some improvement had been made, further work was required and so at the time of the meeting the recommendation was still in progress.

Members were briefed that it was too early to say if the recommendations relating to the audit of **Highways Maintenance** had been implemented. Internal Audit would review the information provided by management and report back to the next meeting.

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

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

**34 INTERNAL AUDIT FRAUD, INVESTIGATION & EXEMPT ITEMS REPORT**

**FSD20021**

Members noted the Part 2 report that dealt with matters relating to internal audit fraud, investigations and other matters relating to exempt information.

The record of these minutes are noted in the Part 2 section of the minutes.

**35 MATTERS OUTSTANDING--PART 2**

**CSD 20028**

Members noted matters outstanding (Exempt Information) from the previous meeting.

**RESOLVED** that the Matters Outstanding Report (Exempt Information) is noted.

**36 EXEMPT MINUTES OF THE MEETING HELD ON 17th OCTOBER 2020**

Members noted the minutes (Exempt Information) of the meeting that took place on 17<sup>th</sup> October 2019.

**RESOLVED that the minutes (Exempt Information) of the meeting that took place on 17<sup>th</sup> October 2019 be agreed and signed as a correct record.**

The meeting ended at 9.17 pm

Chairman