

**Decision Maker:**      **AUDIT SUB-COMMITTEE**

**Date:**                   **Wednesday 15 July 2020**

**Decision Type:**      Non-Urgent                   Non-Executive                   Non-Key

**Title:**                   **INTERNAL AUDIT PROGRESS REPORT**

**Contact Officer:**      David Hogan, Head of Audit and Assurance  
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**Chief Officer:**        Director of Finance

**Ward:**                   (All Wards);

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1. Reason for report

This report informs Members of recent activity across the Council and provides updates on matters arising from the last Audit Sub Committee. It covers:-

- Audit Activity (Key Findings)
- Impact of COVID-19
- Audit Activity (Priority 1 Commentary)
- Audit Report Summaries
- Audit Activity (Other work)
- Publication of Internal Audit Reports
- Risk Management
- Waivers
- Update on the Statement of Accounts and Objections

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2. **RECOMMENDATION(S)**

- a) Note the Progress Report and comment on matters arising
- b) Note the list of Internal Audit Reports published on the Council's website

### Impact on Vulnerable Adults and Children

1. Summary of Impact: Some of the audit findings could have an impact on Adult and Children's Services
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### Corporate Policy

1. Policy Status: Not Applicable:
  2. BBB Priority: Excellent Council:
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### Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Internal Audit
  4. Total current budget for this head: £541k including Internal Audit and External Audit, Fraud Partnership, Insurance Management and Claims handling
  5. Source of funding: General Fund/Legal Cost recoveries
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### Personnel

1. Number of staff (current and additional): 7.5 FTE, including 1 FTE Insurance and Risk Manager
  2. If from existing staff resources, number of staff hours: 2020/21 – 940 days are proposed to be spent on the audit plan, fraud and investigations – excludes RB Greenwich investigators' time.
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### Legal

1. Legal Requirement: Statutory Requirement None:
  2. Call-in: Not Applicable:
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### Procurement

1. Summary of Procurement Implications: Some audit recommendations will have procurement implications.
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 100, including Chief Officers, Heads of Service, Head Teachers and Governors
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

### **3. COMMENTARY**

#### **3.1 Internal Audit Progress**

3.1.1 The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) or guidance. Internal audit is a key component of corporate governance within the Council. The three lines of defence model provides a simple framework for understanding the role of internal audit in the overall risk management and internal control processes of an organisation:

- First line – operational management controls
- Second line – monitoring controls
- Third line - independent assurance (Internal Audit forms the Council's third line of defence)

3.1.2 In simple terms, this assurance will assess whether risks are being appropriately managed. This will help the organisation to; avoid surprises, establish whether activities are being delivered as expected and ensure opportunities are delivered in an efficient way. This provides accountability to our stakeholders and establishes priorities for managers where further action is required.

#### **3.2 Audit Activity (Key Findings)**

##### **3.2.1 Impact of COVID-19**

3.2.2 The COVID-19 pandemic has had disruptive and unprecedented effects on individuals, businesses, governments and society. This pandemic is causing a significant impact on Local Government and the Council has had to adapt to this changing landscape. There are risks to service delivery; from, for example, an increase in staff absence rates amongst employees and contractors. At the same time there have been increased workloads, in key defined critical services.

3.2.3 In common with many organisations, the Council has shifted to employees working from home and adopted new operating models to continue business. It faces a possible reduction in Council funds through significant falls in income and additional costs. These bring the risk of an impact upon delivering statutory responsibilities, an impact on the delivery of the Council's Transformation Programme 2020/23, and its ability to close the Council's budget gap of £16.9m by 2023/24. It has changed the profile of risk within Council services.

3.2.4 The Government has provided additional grant funding. To aid cash flow, the Government made up front payments of grants, including pre-COVID-19 business rates relief compensation and support grant. The Government announced that councils would also be allowed to defer business rates central share payments due to the Government and social care grants would all be paid in April 2020 rather than monthly in April, May and June.

3.2.5 The Council is doing remarkable work to address the challenges brought by COVID-19. Strategic and Tactical Coordination Groups have been established to mitigate the impact on the Council's services. Meeting and reporting structures are in place and decision making processes have been streamlined. Action has been taken to mitigate surge in identified critical services and partnership working has taken place to collectively mitigate risks. Overarching command and control structures for London Local Authorities, with effective communications strategy and delivery in place. Mutual aid agreement is in place across the South East Boroughs and financial relief measures offered by Government.

- 3.2.6 HR processes have been refined and in are place to support managers and staff and the Council has developed and is implementing a recovery strategy.
- 3.2.7 In the first quarter of 2020/21, Internal Audit has concentrated on enabling the Council to deliver front line services with resources redirected to anti-fraud work and supporting service delivery. This resulted in most routine audits being suspended and whilst this will impact on the delivery of the Audit Plan, it continues to meet statutory obligations including reviewing the Council's governance arrangements through the Annual Governance Statement.
- 3.2.8 In common with most organisations, the internal controls have required modification or been overridden by new controls introduced to adapt to the impact of the COVID-19 outbreak. Changes have been made at pace to respond to a dynamic environment. Remote working has impacted on the ability for some controls to operate as designed. Due to the quick transition, controls may have been changed at pace or not be operating as intended, increasing the risk of fraud and error. There has been operational imperative to deliver more quickly or new activities not previously undertaken by the organisation. The support work from Internal Audit has included giving advice on new controls, processes, governance and financial procedures being put in place temporarily across the Council to reflect new ways of working, including home working and greater use of IT, as well as new responsibilities being placed on the Council.
- 3.2.9 Two members of staff were redeployed to be part of the Operation Shielding team for the first quarter, another member of the team for several weeks. One member of the Team was temporarily redeployed to assist the team checking and processing of business support grant payments.
- 3.2.10 As well as providing advice, guidance and challenge on the system set up, auditors have separately carried out checks to identify any instances of fraud and irregularity in the claims for Business Support Grant payments and Discretionary Business Grants and following up where needed. It has also liaised with government and public sector counter fraud organisations to share intelligence reports, counter fraud tools and best practice in response to risks arising from those using the pandemic to commit fraud.
- 3.2.11 Members of the team also supported our Insurance Service where from 1 April 2020, the Council commenced a new insurance shared claims handling services agreement with the London Borough of Sutton. The transfer of data and set up of IT systems occurred at a time where the IT services of both boroughs were under significant pressure and having to prioritise critical services and new enquiries arose regarding the implications of COVID-19.
- 3.2.12 Risk Management continued to operate as normal with some focus given to risks and controls arising from COVID-19. Counter Fraud work continued although all face to face interviews under caution have been postponed. Currently the court is only accepting new prosecutions where there is a statutory requirement to do so. This enables the Council to submit cases to the court where the time limit is due to expire. In all other cases the Courts requested not to submit further matters for a set period. All cases currently in the system are being held in abeyance until the set period has expired and will then be considered and allocated dates as appropriate.
- 3.2.13 The impact of the pandemic has had a disruptive effect on the Plan agreed at Audit Sub Committee at the last meeting, and the Council's emerging risks and profile have changed significantly in an unprecedented short space of time. As the Council begins to implement its recovery stage, the plan will need to be revised taking into account a number of factors. The scale and nature of the current COVID-19 outbreak and government's response is unprecedented in recent history. The Council has existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to

operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Management will need to consider how long this change in risk appetite is sustainable for. Where internal controls have been implemented or revised, management should consider whether it is sustainable in the longer term for the controls to operate in this way. Management should consider how it can reinstate or strengthen the controls that are in place in order to operate in the current conditions for a sustained period. In the longer term, management should also consider what the desired control environment will look like and how to achieve it, when the outbreak has passed.

3.2.14 A specific area of regularity that is impacted by COVID-19 is the potential for fraud and error in expenditure, which is heightened due to the pace of the COVID-19 response. This risk could manifest in several ways, including:

- procurement risks: new supply chains created at pace not allowing for complete risk assessments or single tender actions with no other options;
- contractor risks: new contractors being used at pace not allowing for appropriate due diligence;
- payments/grants/loans risks: new or expanded support schemes in place to support businesses during the outbreak that may not have appropriate controls in place; and
- cyber security risks: enhanced risk of cyber-attack, leading to fraud or error.

Whilst Internal Audit has advised on controls in some of these areas, given the level of activity and the size of funds to distribute etc. the plan will need to include substantial assurance work in some of these areas. At the time of drafting this report a revised Internal Audit plan, which considers the new emerging risks is being drafted. This will need to be flexible and agile and will be shared with Senior Management for consultation having taken into account advice from professional bodies and colleagues in the sector. It will also need to include the requirements from Government such as in the Test and Trace Support Grant, which includes a condition that the Chief Executive and Chief Internal Auditor are required to sign and return a declaration that grant conditions have been met. When the plan is finalised it will then be shared with the Committee.

3.2.15 The latest list of outstanding Priority 1 recommendations is shown in Appendix A. There have been some additions since the last meeting of this Committee and these are detailed below. There has also been some movement in Priority 1 recommendations brought forward and these are detailed below.

3.2.16 A summary of key findings from audits completed to date follows. Members are reminded that the full redacted reports have been published with the agenda if they require further detail.

**3.2.17 Care Act (Information, Advice and Guidance)**

Audit opinion	Reasonable
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3.2.18 This audit focused on the Council's obligations under the Care Act to provide information, advice and guidance about care and support services.

3.2.19 Controls noted to be in place included the annual production of the 'Bromley Guide to Independent Living, Support and Care Services' directory. Additionally, the Bromley Well Service, funded by Bromley Council and the Clinical Commissioning Group, has been

established to provide information, support and guidance about staying well and low level support, for those who do not yet need statutory assistance from the Council.

3.2.20 We have made one Priority 2 recommendation to improve the control environment. This related to reviewing the online information, advice and guidance offer for Adult Social Care; both the individual elements and as a whole; defining ownership and ongoing responsibilities, to ensure that the material published on the Bromley website enables people to make the best decisions about care and support and understand how these may be accessed.

3.2.21 The recommendation has been accepted by management.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	1	1	0
Priority 3	0	0	0

### 3.2.22 Contracts coming to an end

Audit opinion	Substantial
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3.2.23 The overall objective of the audit was to review the key risks when contracts are coming to an end, are addressed through appropriate controls and procedures.

3.2.24 Controls noted to be in place and working well included the existence of a Procurement Board to oversee procurement and contract management throughout the Council, with a work plan for all contracts and monitoring arrangements in place.

3.2.25 We confirmed that the Contracts Database has a commentary which is completed and maintained for all contracts with a whole life value of over £50,000. Guidance and training is given to all contract owners, emphasising the need to allow sufficient time for tender or contract action to take place. We were also able to evidence that, for the contracts in our sample, officers with the appropriate authority, skills and knowledge had been involved in the re-tendering of the contract.

3.2.26 One recommendation was made to improve the control framework. This relates to the sharing of knowledge, experience and successful outcomes at the end of a contract to help other contract owners managing similar contracts.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	1	1	0
Priority 3	0	0	0

### 3.2.27 Looked After Children - New Priority 1 Recommendations

Audit opinion	Limited
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3.2.28 The overall objective of the audit was to review the controls in place for the assessment and reviews of children looked after in residential placements. To include the procurement of placements and joint funding arrangements with Education and Health.

3.2.29 We have made eight recommendations, one Priority 1 recommendation, six Priority 2 recommendations and one Priority 3 recommendations to improve the control environment. These related to:-

- Contract documentation was found not to always be accurate, complete and readily available
- Placements were found not to have a valid contract in place demonstrating that Financial Regulations and Contract Procedure Rules were not adhered to. A review of all placements will be required to ensure that the relevant contractual documentation is in place. These should be held securely. Service agreements should not be authorised which will result in a payment being made to the provider, until the signed contract accepting the terms and conditions have been accepted.
- Pathway Plans were found in one case, to require formal authorisation on the appropriate documents.
- Weekly costs of placements should be regularly reviewed in order to confirm whether additional support is still required.
- Waivers were found not to be completed, held securely and readily available in some cases.
- Queries were raised with a Split Funded package. Monies were found not to have been recouped as agreed. Information in relation to split funded packages was not readily available. Departments need to work together to share relevant information.
- Funding Decision Sheets (FDS) were found not to have always been fully completed and key information such as potential costs/ details of the proposed providers were not always populated. Completed FDS forms were not always readily available to support decisions taken, completed in a timely manner and suitably authorised.
- The Head of Service (Care and Care Leavers) confirmed that a number of decisions regarding placement choices/ approvals and costs are made outside of panel and instead via email.

3.2.30 The recommendations have all been accepted by management.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	1	1	0
Priority 2	6	6	0
Priority 3	1	1	0

### 3.2.31 More Homes Bromley LLP scheme

Audit opinion	Reasonable
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- 3.2.32 The overall objective of the audit was to review the governance and controls in place over the operation of the scheme.
- 3.2.33 As at the time of reporting, 360 property purchases had been made, reducing reliance on more costly forms of temporary accommodation. Being an early adopter of the scheme's approach to temporary accommodation acquisition, provision and management, the Council has experienced a steep learning curve and lessons learnt have fed through to a formalising of processes.
- 3.2.34 Recommendations to improve the control environment have been made for the following areas:-
- 3.2.35 Lines of accountability within strategic and operational roles, together with the governance pathway for the scheme, should be defined and formally documented to ensure effective oversight of all areas.
- 3.2.36 Short and long term strategic and operational risks should be identified, prioritised and recorded. The resultant Risk Register should be kept 'live' and under review by the Board to ensure identification, analysis and overall control of those risks which may impact on the workstream's ability to deliver its priorities and objectives.
- 3.2.37 Whilst it is acknowledged that lack of Key Performance data had been identified by the Board and efforts resulted in receipt of a data suite covering January 2018 to October 2019, a process should be put in place to ensure that all data set out in the binding agreements is received in line with the stated timescales and is subject to challenge at the appropriate level.
- 3.2.38 The Business Plan, Financial Model and Management Accounts should be updated in line with the requirements of the Partnership documentation and subject to challenge at the required intervals by the Board, to ensure that gaps and emerging risks are identified and appropriate action taken.
- 3.2.39 The contents of both document repositories currently in use should be reviewed and realigned where appropriate. A complete set of the master Agreement documents should be retained in the Contract Database System to enable continuity of accessibility should personnel on the workstream change.
- 3.2.40 The Council's Board members should satisfy themselves as to the insurance details of the property portfolio, both in terms of range and level of cover as in the event of a claim, lack of recourse to an insurer would increase the scheme's financial exposure.
- 3.2.41 The purchase of each property should be formally authorised prior to commencement of the acquisition process and each stage of the allocation process documented.
- 3.2.42 Whilst the 2018/19 draft accounts had been received by the Board and approved in principle, filing at Companies House took place prior to formal Board sign off.
- 3.2.43 The recommendations have been accepted by management.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	6	6	0
Priority 3	2	2	0

### 3.2.44 Pension Administration

Audit opinion	Reasonable
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- 3.2.45 The overall objective of the audit was to review the arrangements in place for oversight and control over pension administration activity which impact on the reliability of records, integrity of information and compliance with relevant regulations.
- 3.2.46 Controls noted to be in place and working effectively included the implementation of the procedural flow chart, segregation of duties within the key processes and correct provisioning and administration of accounts on the IT system for new starters and scheme leavers.
- 3.2.47 For the members transferring their funds into the Council's pension scheme or transferring out to the new pension provider, all the required forms and correspondence were retained and transfer in calculations had been saved and checked for accuracy by Council's Exchequer Service Contractor's Pensions Team. Refunds had been processed accurately within two years of joining the scheme. Refund calculations had also been checked and signed off by a senior member of the Council's Exchequer Service Contractor.
- 3.2.48 Relevant documentation, including forms, checked calculations and authorised payment requests were available on the IT system. Access rights to the IT system were restricted and only those with agreed high seniority levels were able to make amendments to pension accounts.
- 3.2.49 Consent of members with Additional Pension Contributions (APCs) was obtained, along with declaration of fitness from the member's employer. Death grant payment requests were authorised and paid to the correct beneficiaries. Grant calculations were checked and signed off by the Pensions Manager and then sent for final authorisation to the Chief Accountant or Director of Finance.
- 3.2.50 There are few areas where management attention is required. Reconciliations between the IT system and general ledger accounts are produced on a quarterly basis by Council's Exchequer Service Contractor before being sent to the Council but there is no evidence of Council review or sign-off of these reconciliations.
- 3.2.51 The policy and procedure documents in place outlining the responsibilities of Council staff in the pension's administration process are not centralised, limiting their accessibility and validity to Bromley related processes. Refunds are paid through cheque rather than BACS.

The Council is in the process of transferring over to a BACS payment platform, however, BACS payment runs and BACS refund claim forms have not yet been finalised.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	1	1	0
Priority 3	2	2	0

**3.2.52 Registrars**

Audit opinion	Substantial
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- 3.2.53 The overall objective of the audit was to review the adequacy and application of the control framework put in place for the cash minimisation programme and to consider the access arrangements to the registrars' offices to ensure that security risks are mitigated. The Head of Service had requested this audit to review the processes following the move to a cashless service in February 2019.
- 3.2.54 Interviews and testing had been completed in most of the areas identified in the audit work programme but the sample testing for the daily income was not completed due the current COVID-19 crisis. However the walk through tests undertaken for the daily income and monthly reconciliation gave an adequate level of assurance that the controls were working well in both these areas. It was noted that the procedures to reconcile daily income were both manual and labour intensive. The systems administrator (BT) and the Head of Financial Systems indicated that there is reporting functionality in the Registrars IT booking system that could be utilised and developed to record, reconcile and report income. The service advised that they be would be looking to develop this area of the system.
- 3.2.55 Overall the collection of income, recording, reconciliation and accounting for it is well controlled. Officers demonstrated a good understanding of controls and accountability; a hierarchy of authorisation and separation of duties. The General Office is secured and the latest external review by the Registrars General in July 2018 concluded that “there are good security arrangements in place at the Registers office” it was also noted that “a good emphasis on office security by staff was evident and good administrative procedures”.
- 3.2.56 The audit raised three Priority 2 recommendations relating to the supporting documentation for refunds and retention of this documentation; collection of income for advertising in the annual brochure and the accurate representation of advance fees in the Authority’s accounts. Two Priority 3 recommendations were raised relating to the coding of income derived from Registrars attending funeral as celebrants to account for VAT and to review and improve procedure notes to include all financial processes.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	3	3	0
Priority 3	2	2	0

### 3.2.57 St Olaves Grammar School – New Priority 1 Recommendations

Audit opinion	Limited
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- 3.2.58 The overall objective of the audit was to review the adequacy and effectiveness of the system of controls surrounding the financial administration of the school, as required by the 1998 School Standards and Framework Act Section 48, paragraph 2(d) and the Authority's Scheme for Financing Schools.
- 3.2.59 The audit followed up the recommendations raised in the previous audit and carried out testing to give assurance for Financial Management, Governance, Safeguarding Assets and Primary Accounting. The audit considered the 12 month period November 2018 to November 2019.
- 3.2.60 Of the 11 recommendations previously raised in the audit report finalised 4th February 2019, 6 had been fully implemented, 2 had been partially implemented and for 3, the original recommendation had been implemented but new findings were identified in the same area (asset register, IR35 and cash flow)
- 3.2.61 The audit acknowledged that the School Business Manager (SBM) and the Finance Manager (FM) have made significant improvements to the authorisation and expenditure processes, including training for all officers and clarifying roles and responsibilities. For the contracts register it was acknowledged that the SBM did not inherit any "paperwork" or supporting documentation from the previous post holder which had taken some time to create and produce. It was also acknowledged that the school had embarked on a number of projects that had necessitated quotations, tendering and management. The SBM and Premises Manager had developed a Project Checklist to support projects undertaken by the school and collate supporting documentation. This is an improvement however audit testing this time identified that there is a need to further development this documentation and associated processes.
- 3.2.62 A Priority 1 recommendation was raised relating to the expenditure process, specifically project management and financial control. Sample testing on payments identified that for one project there was non-compliance to Financial Regulations and poor financial control. The school have completed and are committed to, other large schemes and projects that will need the financial controls that were lacking in the audited example. Expenditure testing identified other examples of non-compliance, specifically use of a waiver, failure to alert the

Finance Manager of committed expenditure and for one payment the VAT had been incorrectly added effecting an overpayment that should have been identified by Finance staff.

- 3.2.63 The second Priority 1 recommendation was raised for financial management. As above, there were multiple issues arising that were combined in one finding and recommendation. Specific issues being that the 2019/20 budget was not signed off by the Chair of Governors, I&E reports showed a deficit balance, the school bank account had been overdrawn, the Finance Manager was not aware of committed expenditure to update the Financial Management System and assurance that information to Governors was accurate and complete and draw down of Foundation funds were informal and used to ease cash flow demands. For financial management and governance the primary concern is that with a balanced budget, as set for 2019/20, the school must evidence timely financial reporting, financial planning and a financial strategy to meet budget pressures in this year and forthcoming years. Although the school has access to Foundation reserves, there was an increased draw on this fund and evidence that it was being used to solve cash flow issues in the school accounts. Similarly the school must evidence that they have completed due diligence and affordability checks before any expenditure is considered, ensuring that the source of income is confirmed and received prior to that spend. The school will need to evidence that they have a long term cash flow analysis.
- 3.2.64 Seven Priority 2 recommendations were raised relating to HMRC (IR35) whereby payment had been made to the individual but the request had been submitted on a company invoice; the IT asset register had been delegated to the IT contractor with no evidence that the school had completed any checks or had been authorised by the Head teacher; the monthly cash flow reports had not been authorised since May 2019, conversely a bank reconciliation had been authorised but not signed off by the initiating officer; a petty cash claims had not been authorised; debtors invoices need to be cross-referenced to the income with a summary report to show the status and lastly the cyber security self-assessment questionnaire that had been left with the school had been delegated to the IT contractor with no evidence of any remedial action taken or ownership by the school.
- 3.2.65 Three Priority 3 recommendations were raised relating to pecuniary interest forms, evidencing an adequate audit trail for procurement card transactions and retaining signed control accounts to evidence timely completion and action taken.
- 3.2.66 This was a protracted audit, exacerbated by the absence of the SBM during and after the site visits and the absence of the FM for the first two planned days on site. Internal Audit has made reference to resilience and business continuity in the light of the issues arising during the audit process.
- 3.2.67 The Head Teacher has agreed and accepted all recommendations raised.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	2	2	0
Priority 2	7	7	0
Priority 3	3	3	0

### 3.2.68 Treasury Management

Audit opinion	Substantial
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- 3.2.69 The overall objective of the audit was to review the arrangements in place for oversight and control over Treasury Management activities which impact on the reliability of records, integrity of information and compliance with relevant regulations.
- 3.2.70 Controls were noted to be in place and working effectively. Treasury Management Strategy and Investment Strategy for 2019/20 was duly and formally approved by the Executive, Resources, Contracts PDS and the Full Council. Treasury staff have access to a 'Treasury and Banking Procedures' document.
- 3.2.71 The Principal Accountant receives daily updates from the Council's Treasury Advisor and Quarterly Treasury Management meetings are attended by the Principal Accountant, Chief Accountant and Director of Finance.
- 3.2.72 Fixed term investments and money market fund investments were made as per the 'Investment Strategy' for 2019-20 and 'Treasury and Banking Procedures'. Full details of current investments are recorded in an 'Investment and Borrowing Portfolio' and the Principal Accountant maintains a 'Daily Balance' spreadsheet.
- 3.2.73 Principal sums repaid and interests received were recorded on Oracle for the repayments of investments maturing in 2019/20.
- 3.2.74 The Principal Finance Officer carries out a formal reconciliation of the total balance of investments per Oracle with Treasury records for each quarter. These are independently reviewed and certified by the Principal Accountant.
- 3.2.75 The balances on the 'Counterparty List', 'Investment and Borrowing Portfolio' and 'Daily Balance' spreadsheet are reconciled by the Principal Accountant at the end of each day.
- 3.2.76 The Chief Accountant submitted Quarterly Performance Reports relating to Treasury Management activities to the Executive, Resources and Contracts PDS Committee and an Annual report on Treasury Management activities for 2018/19 to the Executive, Resources and Contracts PDS Committee on 3rd July 2019.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	0	0	0
Priority 3	0	0	0

### 3.2.77 Troubled Families Claim – March 2020

- 3.2.78 The Troubled Families Programme is a programme of targeted intervention for families with multiple problems, including crime, anti-social behaviour, truancy, unemployment, mental health problems and domestic abuse.
- 3.2.79 It is led by the Ministry of Housing, Communities and Local Government, in partnership with the Departments for Education, Health, Work and Pensions and Ministry of Justice. A local authority can claim a results payment if it can demonstrate that an eligible family has achieved significant and sustained progress against all problems identified at the point of engagement and during the intervention or if an adult in the family has moved into continuous employment.
- 3.2.80 We analysed a random sample of individual claims for the claim period between 1 October 2019 and 31 March 2020. From our testing we found that there was documentary evidence to support that the individual claims sampled met the employment or significant and sustained criteria, enabling a claim to be made.
- 3.2.81 We also confirmed that the total amount claimed for payment by results for the 383 individual claims submitted between the period 1 October 2019 and 31 March 2020 was £306,400.
- 3.2.82 Head of Service Early Intervention and Family Support confirmed that this marks Bromley achieving in full both the attachment and payment by results target for Phase 2 of the Troubled Families Programme. The target was a total of 1700 families where it could be evidenced that those families have been turned around in line with MHCLG criteria.

### **3.3 Priority 1 Follow Up**

- 3.3.1 The process to follow up the Priority 1 recommendations has been revised for this cycle in the light of the current COVID 19 pandemic. The Corporate Leadership Team were advised that it was acknowledged that in the current environment remedial work would have been severely hampered and that emergency COVID19 work should take precedence. In some cases services have been suspended, responsible officers reassigned and service delivery priorities redefined.
- 3.3.2 Given all the changes and challenges faced by Bromley officers we stated that we would not be completing the usual follow up testing to support progress to implement but we will need to document the current position on these Priority 1 recommendations. As such, Directors were asked to cascade a request to the lead officers that any evidence to progress the Priority 1 recommendations would be considered but at the time we were not expecting officers to prioritise a response.
- 3.3.3 We were not expecting to follow up in the normal way but if officers wanted to volunteer an update this would be reflected in the report.
- 3.3.4 This approach was applied to the 6 audit reports that had been on the Priority 1 list and exceeding the 6 month tolerance. No follow up or update was undertaken for the 6 audit reports that had been finalised since January 2020, these will all be subject to follow up and testing for the next committee. The exception was Business Continuity and Emergency Planning that had been finalised on the 23rd December; (inside of the 6 month tolerance for the original committee date in June) given the direct impact of the current crisis for this lead officer the update will be considered for the November meeting.

### **3.3.5 Leaving Care Priority 1 update**

- 3.3.6 At the previous meeting, Members were informed that two of the six Priority 1 recommendations identified in the Leaving Care Audit finalised in October 2018 had not been fully implemented. These recommendations related to the reconciliation of grant sheets to the

finance records and for the Individual Service User Finance Records to be a comprehensive record of all payments made to that service user.

- 3.3.7 The Finance Monitoring Officer (FMO) had confirmed a new process had been implemented from January 2020 and appropriate training undertaken. At the time of the February update to this Committee, the FMO had completed the backdated reconciliations to December 2019 however this did not provide a sample large enough to test and was therefore not undertaken. Internal Audit commented that the plan to backdate the reconciliation to 2015-16 may not be achievable especially as this task was only being completed by one officer.
- 3.3.8 It was agreed that during the current crisis and additional pressures faced by frontline services, Internal Audit would not complete testing to measure the progress to implement Priority 1 recommendations. Management were asked to provide an update to be reported to Committee.
- 3.3.9 The FMO confirmed that the work to reconcile individual service records is ongoing. Each month, when reconciling the allowance spend for the previous month, backdated spend (to 2016) is updated to the individual finance sheets held on Care Store. Over a period of time the financial record for each young person should be captured and their finance sheet updated. The reconciliation has been extended from just the allowances (Setting Up Home, Clothing, Unit and VFA) to include all spend (travel, utilities, miscellaneous financial support, birthdays, education and food).
- 3.3.10 The Head of Service has confirmed that this will allow the service to track how much has been spent for each young person. It will take some time to complete the task and there will be a need to redirect resources to cover maternity leave and keep this project on track.
- 3.3.11 The two recommendations will remain open until testing can be completed for the next committee meeting in November. However the progress to implement and the commitment of the service to complete the backdated reconciliation of the financial records for service users is acknowledged.
- 3.3.12 Strategic Property – Priority 1 update**
- 3.3.13 The Director of Housing, Planning, Property and Regeneration confirmed that a Part 2 report was going to Executive on the 8th July regarding the current contractual arrangements for Strategic Property.
- 3.3.14 Health and Safety – Priority 1 update**
- 3.3.15 The Health and Safety audit report contained one Priority 1 recommendation which related to a full suite of comprehensive, fully documented Health and Safety risk assessments not being held and the authority not being able to demonstrate that it has assessed its Health and Safety risks and has action plans in place to implement controls.
- 3.3.16 The Director of Human Resources and Customer Services has confirmed that following the audit, each department was asked to identify four risk areas within their departments and subsequently asked to carry out a risk assessment for each of them. Due to the current circumstances with COVID-19, there has been a delay in receiving some risk assessments, however Corporate Health and Safety are keeping a record of all risk assessments received and have been starting to follow up again to remind departments to carry out those which remain outstanding, whilst taking into the account the additional workload many departments are facing currently.
- 3.3.17 As many departments identified lone working as one of their risks, an external officer was commissioned to carry out a risk assessment for lone working which has now been

completed and sent out to all departments. Other risk assessments were also completed by an external officer for areas across the Council, such as the North Block Reception Area and North Lodge. Actions which need to be carried out by departments are specified in their risk assessments. Due to the current circumstances, there has been a delay in carrying out these action plans, however meetings regarding carrying the actions out should still be going ahead.

3.3.18 The recommendation is therefore considered to be implemented.

### **3.3.19 No Recourse to Public Funds – Priority 1 update**

3.3.20 The audit review of NRPF within Children’s Services identified one Priority 1 recommendation relating to the procurement, contractual arrangements and cost of accommodation. Following the audit, the Department liaised with Housing colleagues to provide accommodation options and for the NRPF Team to complete the booking and formalise the accommodation for each family.

3.3.21 At the meeting in February, Members were informed that the NRPF Team had written procedure notes to support the change in working practices and that the new arrangements with Housing were working well; compliance to Contract Procedure Rules and Financial Regulations were now evidenced. Management decided that the Business Support Officers (BSO) in the Referral and Assessment Team should upload the service agreements to CareFirst (the mechanism to pay providers), a task previously undertaken by the Central Placement Team. This change in procedure would need to be embedded and tested, the recommendation therefore remained open. There had also been inaccuracies identified in the information held on CareFirst and to improve accountability the summary CareFirst report would be issued to the Head of Service to review and certify that accommodation and subsistence information for NRPF was correct.

3.3.22 As with all Priority 1 follow ups for this cycle, management were advised that Internal Audit would not be completing any testing but would appreciate any comments to update on the progress to implement.

3.3.23 Since the progress update in February a new Head of Service has been appointed for this area. Internal Audit has liaised with this officer to outline the issues raised by the Priority 1 finding, follow ups and to establish the current position.

3.3.24 The CareFirst report generated on the 1/6/2020 identified 3 NRPF families receiving support for accommodation. The summary spreadsheet received from the service identifies 5 families currently supported and two more that had been placed in accommodation this financial period and should have been shown on the CareFirst report. One of the current cases had been identified in the previous update; a start date of 15/1/2020 and with the service agreement not authorised no payment made to the provider via CareFirst. The Head of Service has confirmed that all cases to be reviewed and advice sought from the Head of Service (Placements and Brokerage) with regard to the service agreements on CareFirst. Support will be offered to the team as required.

3.3.25 The Priority 1 will remain outstanding, testing to be completed for the next cycle. It is acknowledged that this was a new process for the BSO’s to complete, a change in Head of Service and the impact of the enforced current working arrangements would have hampered progress to fully implement the recommendation but, as previously stated, this team had evidenced significant improvements to the controls identified in the original audit finalised in July 2019.

### **3.3.26 Domiciliary Care Contract Management – Priority 1 update**

- 3.3.27 The audit report finalised in September 2019 raised one Priority 1 recommendation relating to the contractual arrangements with three domiciliary care providers. For two providers, extension documents had not been signed and returned and for one provider there was no provision to extend the contract although the expiry date was due.
- 3.3.28 The follow up work undertaken for the update to the February Committee identified that officers had engaged with all three providers but only one had returned the signed contract documentation at the time of reporting. Testing on a new sample of domiciliary care providers was satisfactory and the Department evidenced procedures notes and improved controls including a proposal to spot check contracts from an expenditure report. The recommendation remained opened until the extension documentation for the two original contracts were returned and the new controls had been evidenced.
- 3.3.29 For this update the Department have confirmed that both providers have now signed the contract documents and returned to Bromley. For one the document has not been countersigned by witness given the current lockdown but has been noted and will be completed at a later stage. Both documents will be uploaded to the Contract Database.
- 3.3.30 The Integrated Strategic Commissioner confirmed that she had not yet received the information from Finance to show expenditure coded to the domiciliary care subjective code. A sample of providers detailed on the Finance report was to be checked to the contract database quarterly. Given current circumstances and the seasonal pressures of close down for Finance this quarterly check will be completed at the end of quarter 1.
- 3.3.31 The outstanding issues have been resolved and the Priority 1 is therefore considered closed.

### **3.3.32 Starters and Leavers – Priority 1 update**

- 3.3.33 At the previous meeting Members were informed that there had been progress to implement the Priority 1 recommendation relating to a process notify relevant departments when an employee leaves the Council.
- 3.3.34 The IT solution was to introduce a leaver form with an implementation date of March 2020. The Head of Information Management has confirmed that a provider was engaged via BT to make the necessary changes to the forms. However progress had been slow and the proposal yet to be accepted due to quoted support costs. This piece of work will be tied into the Information Management Transformation project which is now progressing. There will be need to place reliance on the technical environment within SharePoint online being ready to host the new leaver forms.
- 3.3.35 The Head of Information Management confirmed that *“the CCN to has been approved and the project is set to kick off by 16th June with a High level design being drafted. This work is dependent on the Information Management Transformation project that is updating the intranet and supported by the work being carried out by BT on the Active directory and the databases that the forms reference”*.
- 3.3.36 Testing for the February meeting identified 11 leavers still had an active IT account. IT colleagues have reviewed these 11 cases and from the information available, automatic e-mails sent from HR to the IT mailbox were not evidenced as received. IT is liaising with HR colleagues to establish the current status of those employees before disabling the accounts. The IT Contract and Operations Manager confirmed that there is now a monthly report from the HR system which details ‘leavers’ stored in a shared area with the BT Service Desk Manager to action.
- 3.3.37 The Priority 1 recommendation will remain open at this time until the IT solution to develop a leavers’ form is implemented and audit testing can be completed to give assurance that

adequate controls are in place to notify all relevant parties when an officer leaves the Council.

### **3.3.38 Highways Maintenance – Priority 1 update**

- 3.3.39 At the previous meeting Members were informed that management had confirmed progress to implement the 3 Priority 1 recommendations relating to the selection process of highways schemes for major works programme, management of the delivery of agreed highways schemes and controls on reconstruction and widening of vehicle crossovers as part of footway schemes. However at that time Internal Audit had not completed any testing and stated their intention to review the evidence supplied by management to update Members at this meeting.
- 3.3.40 Internal Audit acknowledge that management had submitted three process documents to evidence implementation of two of the Priority 1 recommendations that related to the need for written procedures. Management confirmed that data was now stored on SharePoint and Confirm; a new Confirm Mobile software application has been introduced to allow on site updates and record keeping using an iPad. However management were advised that these procedures would need to be embedded before effective testing by Internal Audit and would therefore the recommendations would remain open at this time.
- 3.3.41 As with all Priority 1 follow ups for this committee cycle, management were advised that no new testing would be completed this time due to the pandemic and the impact on officer time and service delivery. Managers were asked to supply any information to support progress to implement and to establish the current status of Priority 1 recommendations. The Assistant Director (Highways) confirmed that in response to the recommendation relating to the selection process that as at 1st July:-
- 3.3.42 *“The final phase of the capital programme has been approved by the Environment Portfolio Holder and Member’s comments were considered during the consultation process.*
- 3.3.43 *Options for a further network condition survey are still being considered. The technology used for these surveys is changing rapidly, away from walked visual surveys to video surveys using artificial intelligence, which are purported to provide more accurate results as well as a visual record of each site. We were proposing to undertake the survey once the capital programme had been completed, but with the current situation survey companies are not operating, so this is likely to be delayed until spring 2021.*
- 3.3.44 *The previous network survey data has been used to prepare the final phase of the capital programme, with all remaining classified roads in the >3 and 3-5 year categories being inspected by an LBB Engineer. Recommendations have also been provided by the Highway Inspectors. Details and results of the surveys are recorded on SharePoint. The inspections are due to be completed within the next two weeks to allow priorities to be established and the programme prepared for approval”*
- 3.3.45 The three Priority 1 recommendations will remain open at this time.

### **3.3.46 Business Continuity and Emergency Planning – Priority 1 update**

- 3.3.47 Given the direct impact of the current crisis for this lead officer the update will be considered for the November meeting.

### **3.3.48 Schools Finance Team – Priority 1 update**

- 3.3.49 The Priority 1 recommendation is within the 6 month tolerance and will be followed up to report to the next Committee in November.

### 3.3.50 Procurement Cards – Priority 1 update

3.3.51 The Priority 1 recommendation is within the 6 month tolerance and will be followed up to report to the next Committee in November.

### 3.3.52 Tax and National Insurance Issues arising from the Procurement Card Audit – Priority 1 update

3.3.53 The Priority 1 recommendation is within the 6 month tolerance and will be followed up to report to the next Committee in November

## 3.4 Publication of Internal Audit Reports

3.4.1 Since the last cycle of this Committee, we have published 9 redacted final reports, listed in the table overleaf. This includes one report (Nursing Care) from February 19 which was considered by the Committee as a part 2 item at an earlier meeting and was not published at the time due to contractual negotiations at the time which have now completed and the issues referred to in the report resolved. At the request of Members of this Committee, we have included the audit opinion given to each audit. Members are requested to agree exemption for one audit report as detailed in Part 2 of this agenda.

AUDIT	OPINION
Care Act (Information, Advice and Guidance)	Reasonable
Contracts coming to an end	Substantial
Looked After Children	Limited
More Homes Bromley LLP scheme	Reasonable
Pension Administration	Reasonable
Registrars	Substantial
St Olaves Grammar School	Limited
Treasury Management	Substantial
Nursing Care (Feb 2019)	Substantial

3.4.2 For current definitions of audit opinions, see below:-

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.

<b>Limited Assurance</b>	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
<b>No Assurance</b>	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

### 3.4.3 We have also carried out the following

- Fraud and investigations work – the results of which are reported in Part 2 of this agenda.
- Advice and support – Internal Auditors are available to offer advice and consultation to all officers. The input required from Internal Audit varies; ad hoc enquires will be received by e-mail, phone or in person. Internal Audit also attend working groups to advise on system controls and good practice.
- Monitoring/authorisation role for the Greenwich Fraud partnership.
- Committee work.
- Internal Liaison with the Corporate Leadership Team/Directors' Group; Directorate Management Teams and Corporate Risk Management Group.
- External liaison with the London Audit Group, and our External Auditors

## 3.5 Risk Management

3.5.1 It was agreed by the Committee that risk registers would be reviewed at least six monthly, updated and reported first to Audit Sub Committee and then to the respective PDS Committees. Risks marked as 'Red' (High) are presented to every other meeting of the relevant PDS committee for noting.

3.5.2 The Corporate Risk Management Group Meeting of 30<sup>th</sup> April was postponed. The COVID19 risk was added to the Corporate Risk Register. Additional COVID19 'causes' have been added to the Finance Risk Register. The current risk registers are attached at Appendices B1t to B9.

## 3.6 Waivers

3.6.1 Members of this Committee took the decision to only report on waivers sought under the Contract Procedure Rules 3 and 13.1 and to therefore exclude specific exemptions provided to officers under the Council's Scheme of Delegation which relate to social care placements. As required by the Contract Procedure Rules (CPR) this Committee has to be updated on waivers sought across the Authority at six monthly intervals.

3.6.2 The Assistant Director Governance and Contracts (AD G&C) has written and issued a series of practice notes related to the information and actions stipulated by the Contract Procedure Rules. Practice note 1 issued to all contract owners included a section on waivers:-

3.6.3 *Waivers (extensions, variations, exemptions) – Contract Owners need to report these to Audit Sub bi-annually where they are over £50k. Make sure you are recording these so you can pass the information to Internal Audit upon request, who then make the report to Audit Sub on your behalf.*

- 3.6.4 The waivers reported should include all exemptions, extensions and variations as defined in 13.1 of Contract Procedure Rules with reference to 3.1, 3.5.5 and 23.7.
- 3.6.5 For this committee cycle the Assistant Director Governance and Contracts (AD G&C) generated a report from the Contract Database to identify contracts that met the criteria for the period October 2019 to March 2020. This information has been checked to the database, supporting documentation and Gateway reports to upload to the standard template shown at Appendix C. The cumulative and annual values have been replaced by the financial information available in the relevant documentation this time.
- 3.6.6 In a report to the Executive through the Leader, the AD G&C sought authorisation to take appropriate procurement action due to the impact of the COVID-19 pandemic.
- 3.6.7 The report set out short to medium term measures for provider financial support and sustainability including direct award of contracts, without competitive tender due to reasons of urgency. This and other variations to contract prompted by the unforeseeable emergency involving disruption to Council services would be at Chief Officer level with agreement from the Directors of Finance and Corporate Services and the relevant Portfolio Holder for modifications where the cumulative value is £100K or higher.
- 3.6.8 The AD G&C reported that in the longer term the Council will need to take suitable procurement action for contracts due to end over the next 18 months. It may not be feasible or recommended to commence a retender process at this time. In practice this will mean extending the contract beyond term using Regulation 72 of the Public Contract Regulations.
- 3.6.9 The Leader's decision dated and implemented on the 24/4/2020 stated that:-
- 3.6.10 *"That delegated authority be granted to chief officers to take appropriate procurement action to manage contracts during and after the current public health measures for six months from 1st April 2020, and specific action to support the sustainability of Adult Social Care Providers be authorised for a period of three months from 1st April 2020."*
- 3.6.11 For this reporting cycle the contracts have been notated if contract procedures have been waived due to the current pandemic; meeting the approval criteria set out in the report "COVID-19 – Procurement Implications approved by the Executive through the Leader". As the period for review is October 2019 to March 2020 this only applies to a few waivers; reporting on COVID-19 decisions will be included in the next cycle.
- 3.6.12 Members are asked to review this list and comment as necessary, preferably prior to the meeting so that officers can extract the details on queried waivers.

### **3.7 Statement of Accounts**

- 3.7.1 The Head of Corporate Finance and Reporting provided an update and confirmed the latest position - there are objections to the accounts for 2016/17, 2017/18 and 2018/19.
- 3.7.2 The Director of Environment and Public Protection responded to the outstanding enquiries by KPMG (previous external auditor for 2016/17 and 2017/18) on 6 May and we are awaiting a response. All of the objections are from the same individual. EY, our current external auditor, will not address the objection to the 2018/19 accounts until it has seen the final responses to the previous year's objections from KPMG. At the moment EY has advised that it will not be able to provide a value for money conclusion for 2018/19 until the objections are closed. Although the audited accounts can be approved and published, EY will also be unable to issue a completion certificate. The same will apply to the 2019/20 accounts if the objections remain outstanding.

## **2018/19 Accounts**

- 3.7.3 Following the work on asset revaluations, a revised statement of accounts for this period has been provided to EY, who are expected to report completion of their audit to the GP&L Committee scheduled for 30 July.

## **2019/20 Accounts**

- 3.7.4 The draft statement of accounts for this period have been approved by the Director of Finance and published on the Council's website on 30 June. The public inspection period, which allows objections to be made, will run from 1 July to 11 August 2020.
- 3.7.5 The external audit fieldwork will start on 10 August and is expected to be complete at the end of September.
- 3.7.6 In terms of reporting to GP&L Committee, subject to the audit progressing smoothly, it is likely that a special GP&L meeting would be required during October to approve the audited statement of accounts and receive the audit findings reports from EY.

## **4. IMPACT ON VULNERABLE ADULTS AND CHILDREN**

- 4.1 The content of this report will have implications for both adults and children in respect of audits that will be undertaken in both Adult and Children's Services

## **5. POLICY IMPLICATIONS**

None

## **6. FINANCIAL IMPLICATIONS**

- 6.1 Some of the findings identified in the audit reports will have financial implications

## **7. PERSONNEL IMPLICATIONS**

- 7.1 Where appropriate and following a reasonable management investigation, a disciplinary process may be initiated in response to poor practices or/and misconduct.

## **8. LEGAL IMPLICATIONS**

- 8.1 Under section 1 of the Local Government Act 1972, the authority is required to make proper arrangements in respect of the administration of its financial affairs.
- 8.2 The provisions of the Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective Internal Audit Function.

## **9. PROCUREMENT IMPLICATIONS**

- 9.1 The contents of this report includes planned audits that will have implications for procurement relating to contract procedure rules, financial regulations and Value for Money issues.

<b>Non-Applicable Sections:</b>	Policy
Background Documents: (Access via Contact Officer)	None