

AUDIT SUB-COMMITTEE

Minutes of the virtual meeting held at 6.30 pm on 9 March 2021

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:

Councillor Pauline Tunnicliffe

60 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

No apologies for absence were received.

61 DECLARATIONS OF INTEREST

Councillor Evans declared an interest as a Governor of Saint Olave's School .
Councillor Wells declared an interest in that he sat on the Court of Saint
Olave's and Saint Saviour's Schools.

62 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 3rd NOVEMBER 2020 (EXCLUDING THOSE CONTAINING EXEMPT INFORMATION)

The minutes of the meeting of the Audit Sub-Committee that sat on 3rd of
November 2020, (excluding those that contained exempt information) were
agreed as a correct record.

63 QUESTIONS TO THE AUDIT SUB COMMITTEE

No questions had been received.

64 MATTERS ARISING CSD 21029

The Committee discussed the matters that had arisen at the previous
meeting.

The Chairman noted that 2/3 of the matters outlined would be updated upon
in the Internal Audit Progress report.

The first matter was concerning training being provided to members of the Committee, and the Chairman hoped that Members had been able to attend the recent training session that had been provided by Mazars, and he asked for feedback concerning this. A Member felt that the profile of the Committee could be increased if there was a report from the Audit Sub-Committee going to Full Council at least once a year. A discussion took place about the possibility of raising the profile of the sub-committee to enable it to be upgraded to a full committee, rather than being a sub-committee of the GP&L Committee.

The Chairman remarked that in the training it was recommended that the Chief Executive should attend the Audit Sub-Committee on a regular basis. He expressed the view that this was not required, and that on some occasions (when necessary), Chief Officers had attended meetings of the Sub-Committee. A Member commented that currently, discussions were being made concerning the status of the Pensions and Investment Sub-Committee, so now may be an appropriate time to have similar discussions with respect to the Audit Sub-Committee. A Member remarked that it was the case that the minutes of the Audit Sub-Committee were sent to the GP&L Committee, but as far as he was aware, the GP&L Committee did not have the authority to overrule any decisions made by the Audit-Sub Committee. A number of Members felt that this being the case, there were grounds for making the Audit Sub-Committee a full committee that reported to Full Council.

The Head of Audit and Assurance said that in Bromley Council, the functions of audit scrutiny were dealt with between the GP&L Committee and the Audit Sub-Committee. In Bromley it was the case that the GP&L Committee dealt with the statutory accounts. He explained that as a result of the Redmond Review, the MHCLG (Ministry for Housing, Communities and Local Government) supported the idea that an annual report from the External Auditors should be submitted to Full Council. If this was the case going forward, then it may be appropriate for the Audit Sub-Committee (or Audit Committee if the Sub-Committee became a full committee) to present a report to Full Council at the same time. It was noted that the MHCLG was currently working on guidance for councils (in collaboration with CIPFA, the NAO and LGA) concerning the submission of audit reports to Full Council and were also considering what guidance should be provided with respect to appointing independent members to audit committees. The Chairman asked if these proposed changes had implications in terms of the Council's resources. The Head of Audit and Assurance responded in the affirmative and commented that it would be important to avoid duplication.

There was a general consensus amongst Members that central government was placing more emphasis on governance for large organisations in an attempt to avoid financial problems leading to the collapse of the organisation. They were trying to avoid future financial failure. One way of doing this was to give a higher profile to audit reporting, including the reporting of issues to Full Council. In this way knowledge of the risks being faced would be spread across the organisation as a whole. A Member commented that it would be a useful exercise to see how other local authorities were managing their audit

functions. With reference to training it was felt that this was required so that Members were as equipped as possible to represent the public. It was noted that some Members had missed out on the previous training session as they had not received the link. The Head of Audit and Assurance promised to send out the link to any who wanted it so that they could access the training session recording.

A Member expressed the view that the GP&L Committee was too big. It consisted of 15 Members, and now that there was not so much licencing to deal with, it was too big and its size needed to be reviewed. The Chairman and Vice-Chairman said that the size and composition of the GP&L Committee was not within the remit of this Committee to discuss.

RESOLVED that the Matters Arising report be noted, and that the Head of Audit and Assurance would disseminate the link of the training session that had been organised recently by Mazars.

65 INTERNAL AUDIT REPORTS PUBLISHED ON THE COUNCIL WEBSITE

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

RESOLVED that the internal audit reports published on the Council website be noted.

**66 ANNUAL INTERNAL AUDIT PLAN 2021-22 AND INTERNAL AUDIT CHARTER
FSD 21013**

The Internal Audit Plan had been affected by the Covid pandemic. It was difficult to know going forward what would be the 'new normal'. This being the case, the Internal Audit Plan was more of a 'statement of intent'. The Internal Audit Team would need to be flexible and agile. The current recovery audit plan had been affected by the Covid lockdown because staff had been seconded to work on pandemic related duties and other staff were providing assurance and anti fraud checks on business support grants. The Head of Audit and Assurance explained that the Internal Audit Plan had gone for review to the Corporate Leadership Team (CLT) and that the CLT had approved the plan. Some work was being rolled forward and the Internal Audit Team had been looking at new areas of risk with CLT. More government grant relief money was due to come in and this would need to be processed and assurance provided to government.

The Head of Internal Audit and Assurance updated members regarding the Internal Audit Charter, explaining that the Charter outlined the status and authority of internal audit. There had on this occasion been some specific guidance provided with respect to the contents of the Charter which made allowances for the pandemic.

A Member enquired as to how much work undertaken by the Audit Team had been related to the Covid Pandemic, and how much resource was likely to be allocated to Covid related work going forward. The Head of Audit and Assurance did not have the information to hand and estimated that over the previous year 60% of the work undertaken by the Audit Team had been Covid related. He said that he would check on this figure and update the Committee. Going forward, out of 881 planned audit days, it was estimated that 145 days would be taken up by work that was Covid related. It was hoped that the Team would be working on 'business as usual' by June. The Head of Audit and Assurance complimented the work that had been undertaken by Liberata's Technology Team in designing appropriate systems.

The Vice Chairman asked (given the extra workload) if the current staffing levels of the Internal Audit Team were sufficient. The Head of Audit and Assurance answered that the Internal Audit Team were coping for now, but the position on a long term basis was not sustainable.

It was noted that the services of Mazars had not been called upon in the last financial year. They had their own core contracts with councils that did not have their own internal audit staff. The Head of Audit and Assurance clarified that he had a budget of approximately £16k that could be used as required to support the Internal Audit Team, and that he had been in discussions with Mazars about the possibility of them undertaking 2 pieces of work for LBB.

A Member agreed that the Internal Audit Team should use the concept of 'risk' to decide where to allocate the limited resources of the Internal Audit Team. He inquired if the team had received enough training to carry out risk assessments themselves, or whether or not this would be undertaken by management in their particular area of expertise.

The Head of Internal Audit and Assurance explained that his team were professionally qualified. He mentioned that certain organisations like the Chartered Institute of Internal Auditors, and the London Audit Group had set up online training sessions which explained how to manage risk during the pandemic. It was always the case that training and development could be enhanced as part of ongoing professional development. Internal Audit endeavoured to make things easier for managers by clearly addressing risks concerning fraud and error in core guidance documents.

Members were reminded of the previous occasion when the expertise of Zurich was called upon and they had assisted in the development of the Council's risk register. This had generally improved the process for assessing risks across the board and, for example, it was now the case that Bromley Council had a good health and safety risk assessment process in place when previously there had been adverse internal audit findings. Previously, business continuity plans had required developing, and in a previous report, two P1 recommendations had been issued. However, it was now the case that adequate measures and protocols had been put in place, and these had been implemented prior to the onset of the pandemic.

RESOLVED that:

- 1) The Head of Audit and Assurance check how much of the Internal Audit Team's work in the previous year had been Covid related**
- 2) The 2021/22 Internal Audit Plan be approved.**
- 3) The Internal Audit Charter be approved.**

**67 INTERNAL AUDIT PROGRESS REPORT
FSD 21012**

The Committee was updated with respect to the audit of purchasing cards. This was because it was noted in the audit report dated January 2021, that there were three P1 recommendations outstanding. These had now been addressed. The Committee noted that currently, many controls were effective; however there were still inadequate controls in certain areas. There were issues with direct debit payments, where certain members of staff would set these up for efficiency reasons, but when said member of staff was off sick or left the organisation--then no one knew how to cancel the direct debits. It was also the case that when members of staff had left the organisation, purchasing cards were not being deactivated. There were also issues with inadequate controls for managing credit limits. It was anticipated that all the remaining issues would be ironed out in due course; for now, the audit opinion was 'reasonable'.

Members were updated concerning the review of payroll. It was agreed that more effort should be made by claimants to put in their expenses claims in a timely manner. The audit opinion for payroll was 'reasonable'. Four P2 recommendations had been made which had been accepted by management.

The Committee was updated regarding the audit of small business support grants. The purpose of the audit review was to examine the effectiveness of controls operated by the Finance Directorate and the Council's Exchequer Contractor for the payment of small business support grants that had been made available to small businesses as a result of the Covid pandemic. Controls were in place and were working very well, and the overall audit opinion was 'substantial'. Members were pleased to note the extensive controls that had been put in place. It was noted that out of 2007 payments made, (totalling over £20m), there had only been 1% of claims associated with fraud, error or non-compliance. Similarly, the review of Retail, Leisure and Hospitality Support Grants had also received an overall audit opinion that was 'substantial'.

Members received an update concerning 'Starters and Leavers'. The Head of Audit and Assurance acknowledged Members' frustrations that the issues concerning Starters and Leavers had still not yet been fully resolved. He said that he had attended meetings of the CLT (Corporate Leadership Team) and various managers briefing meetings, and had explained clearly what the current procedures were, and what managers should do—so managers were

now without excuse. The Head of Audit and Assurance explained that a simpler process was being developed, so that instead of managers having to fill in separate forms for HR and IT, there would just be one form to fill in. The new streamlined process was anticipated to be operational by the end of April.

The Committee heard that in some cases, accounts had been left open for what the managers would perceive as being 'practical' reasons in terms of trying to assist operational processes in handover situations. The Head of Audit and Assurance had reported back on this matter to CLT and the Chief Executive. It was felt that the solution would come when the SharePoint online process was implemented.

The Head of Audit and Assurance briefed the Committee that a new audit report for management was planned which would summarise all of the issues and problems and would be presented to the Committee.

A Member stated that it was part of a manager's job to manage the members of his team that were leaving, and failure to do so should be a disciplinary matter with respect to the manager. He said that he would not expect HR to issue a P45 until the leaving process had been followed for an employee. A Member suggested that this matter may merit a note from the Committee to the Chief Executive. The note to essentially say that Members were concerned that this matter had not improved. Another Member stated that he would like to see the Chief Executive attend the Audit Sub-Committee with respect to this matter. The Chairman agreed that a note should be drafted for the Chief Executive, which would note the Committee's irritation that this matter kept coming back to the Audit Sub-Committee. The note to also suggest that the Chief Executive issue a further directive in this regard. The Head of Audit and Assurance agreed to action this.

A Member pointed out that if former staff members were still being given access to their accounts and IT systems—then this represented a significant security risk. Staff members should not be allowed to leave so soon without carrying out a handover process first. This would mean that when they did leave, they would no longer need access to their accounts or IT systems.

Members were updated with respect to the follow up review of Highway Maintenance. Internal Audit were waiting for management to supply documentation to show compliance with their agreed procedures and with Financial Regulations. Until this information was provided, the two P1 recommendations would remain open. It was noted that the Assistant Director for Highways was also responsible currently for the running of the vaccination centre.

Members heard that with respect to the audit of Procurement Cards, progress had been made and the P1 recommendations had been signed off.

The Committee was briefed concerning the follow up audit of St Olave's Grammar School. Despite various obstacles faced both by the school and by the Internal Audit Team, progress had been evidenced. The audit of the

school was in the process of being completed. The school had now recruited a Head of Finance. It was felt that the school was now on the right course, and that the P1 recommendations had been implemented. A summary of the full audit review for the school would be submitted to the next meeting of the Committee, and it was planned that an onsite visit to the school be undertaken in the autumn.

The Head of Audit and Assurance gave a positive update with respect to Looked After Children. New management were going through all 76 placements to ensure that valid contracts were in place, and that Financial Regulations and Contract Procedure rules were being followed. Progress had been made and the Internal Audit Team were confident that the issues were now being addressed.

The Head of Audit and Assurance provided an update concerning pre-planning advice issues that had been raised at the last meeting. The Head of Audit and Assurance had followed this matter up with the Assistant Director of Planning and Building Control. This was concerning the service that councils provided with respect to pre-planning advice, and it was noted that government guidance existed for this. There was a service where someone came in and paid a fee for planning advice before submitting a formal planning application. Concerns had been raised regarding the segregation/division of duties. A Member had raised an issue as to how this potentially looked from the perspective of the public. The other issue that had been raised was after a planner had given planning advice, it could be the case that later down the line, he/she may feel that this advice was not correct, but may then find it difficult to penalise a planning application that had been submitted on the advice that was previously given, as a fee had been paid to the Council for this advice.

It was explained that everything that came from the Planning Team was checked by a second person, so that no planning advice that was disseminated would be the sole responsibility of just one person. It would always be reviewed and signed off by another senior member of the team. It was also the case that advice was provided on a 'without prejudice' basis. In other councils it was often the case that this work was undertaken solely by one planning officer. The view of the Assistant Director was that there was no need for a further division of responsibilities, and that this would be counterproductive and may require additional resources. It was noted that the Planning Officers adhered to a professional code of conduct.

The Member who had previously raised concerns around planning advice thanked the Head of Audit and Assurance for his comprehensive update and for investigating the issues further.

The main Council accounts for 19/20 were still being audited. There had been some queries and delays that had partly been caused by the pandemic, but there had also been some issues relating to property, plant and equipment, where Ernst & Young (the external auditors) required further information. With respect to the objection to the accounts from an elector, it was noted that

KPMG (the former external auditor) now had all the information that was required to hopefully bring the matter to a close. A discussion took place regarding the effect of the depreciation on land and buildings.

It was noted that the current P1 list was shorter than was normally the case.

Members commented on the matters relating to the increase in the fees requested by the external auditor. The Head of Audit and Assurance explained the reasons given by the external auditor for the proposed increase in fees. He referenced the fact that in the recent Redmond Review, it was stated that the fees for external auditors should be at least 25% higher than was currently being charged. It was not clear when this matter would be resolved, and so the Head of Audit and Assurance said that he would seek an update from the Director of Finance. The Chairman remarked that this was a matter that the Director was working hard to resolve, and that in this case the PSAA (Public Sector Audit Appointments) had shown themselves to be toothless. A Member expressed concern that increased costs in various forms were being imposed on local councils, and this may be a matter that may need to be escalated upwards. The Head of Audit and Assurance informed Members that the Government was providing an additional £15m to councils to assist in covering the additional costs of external audit for next year.

A Member referenced the fact that the external auditors had commented that Bromley's financial management system was dated and that this had caused them to experience difficulties in the auditing of the Council's accounts. This meant that they could not run some of the automated software that they would normally use in the audit process. The Head of Audit and Assurance explained that this was an older version of Oracle, and he would find out when the upgrade to a newer system was due to take place.

A Member wondered if the fees of the external auditor would decrease when the new Financial Information system was in place.

RESOLVED that:

- 1) The Head of Audit and Assurance would try and find out when the fee payable to the external auditors would be agreed**
- 2) The Head of Audit and Assurance would find out when the upgrade to the Council's financial management system would take place**
- 3) The Internal Audit Progress report be noted**
- 4) The list of Internal Audit reports published on the Council's website be noted**
- 5) The External Audit update be noted**

6) A note should be drafted for the Chief Executive, which would note the Committee's irritation that the matter of issues around starters and leavers kept coming back to the Audit Sub-Committee. The note to also suggest that the Chief Executive issue a further directive in this regard.

68 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.

69 INTERNAL AUDIT FRAUD AND INVESTIGATION REPORT
FSD 21013

The report provided an overview of Counter Fraud work in 2020/21. The report detailed updates on previous reported cases, expanded on new cases of interest and detailed cases on the fraud register.

As the contents of this report are confidential, the minutes for this item have been detailed in the exempt minutes.

RESOLVED that the Internal Fraud and Investigation report be noted.

70 EXEMPT MINUTES OF THE MEETING HELD ON 3rd NOVEMBER 2020

The exempt minutes of the meeting held on 3rd November 2020 were agreed as a correct record.

The meeting ended at 8.40pm.

Chairman