

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Tuesday 8 June 2021**

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

Title: **INTERNAL AUDIT PROGRESS REPORT**

Contact Officer: David Hogan, Head of Audit and Assurance
Tel: 020 8313 4886 E-mail: david.hogan@bromley.gov.uk

Chief Officer: Director of Finance

Ward: (All Wards);

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

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
-

Corporate Policy

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

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
-

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 – 881 days are proposed to be spent on the audit plan, fraud and investigations – excludes RB Greenwich investigators' time.
-

Legal

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

Procurement

1. Summary of Procurement Implications: Some audit recommendations will have procurement implications.
-

Customer Impact

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

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)

Impact of COVID-19

3.2.1 Whilst the impact of the COVID-19 pandemic has become less disruptive as infection rates fall, the authority and the Internal Audit Team has had a significant additional workload arising from, amongst other things, Restart Grants and Additional Restriction Grants to support businesses. Added to this the requirements on Pre and Post Event Assurance work required by the Department for BEIS has become more stringent. It is useful for Members to recap where the team has contributed over the last year and continues to do so.

3.2.2 Prior to the last meeting when this year's restart and recovery plan was drafted it was not possible to forecast the Government's roadmap or additional Covid 19 support grants to be provided to business. As reported previously the team have been significantly involved in the numerous mandatory and discretionary business grant schemes which the Council has operated during the past year and, at the time of writing this report, that work continues. Mandatory grant schemes such as the small business grant, retail, hospitality and leisure grant, local restriction support and the recent re-start grant schemes are just some of those schemes where criteria, including thresholds are set by central government and the Council facilitate payments. In contrast, the discretionary grant schemes such as the business hardship fund, innovation grant and the independent public house and clubs grant are those where the Council has received funds to direct to the local economy and local businesses as appropriate. The discretionary grants come with government guidelines, and then have an element of discretion which the Council can apply.

3.2.3 Our role has included giving advice on controls and processes, both at the design stage of the application and payment systems, and when queries have arisen on individual applications prior to payment being approved. We have also carried out checks on large numbers of businesses applying for funding and advised on further action for any applications which have been identified as potentially fraudulent or paid in error.

3.2.4 For the re-start grant scheme (effective from the 1 April), as with the other business grant schemes, we have been involved in planned weekly and ad-hoc meetings and discussions

with key personnel in the Council and our Exchequer Contactor prior to and during the operation of the scheme. We have provided advice and guidance on the system and process, and undertaken checks on businesses which apply.

- 3.2.5 The Department for Business, Energy & Industrial Strategy (BEIS) has required the Council to report to them each month the number and value of business grant payments made for the original schemes and the number and value of cases of fraud, error and non-compliance identified by the Council. We have carried out quality assurance checks for the payment information provided by Liberata before it is sent to the BEIS.
- 3.2.6 We have also had to put in place Fraud Risk Assessments and Post Payment Assurance plans for each of the business grant schemes. Furthermore, last month, BEIS selected a random sample of payments from the small business grant, retail, hospitality and leisure grant and local discretionary grant schemes and asked us to provide evidence of the pre-payment and post-payment checks which had been carried out.
- 3.2.7 The volume of work required on the numerous business grants since April 2020 has been unremitting and has had a significant impact on the time and staff resources available to complete the annual audit plan.
- 3.2.8 We have been carrying out checks on businesses using government tools and credit company data to verify businesses across a range of schemes. Pre-payment and post-payment checks have been carried out using Spotlight a central government tool to ensure a business was legitimate and trading during the relevant period, the National Fraud Initiative validation tools which utilises Experian data, or open source checks on payments made under those schemes where the company did not have limited company status.
- 3.2.9 2 members of staff remained as part of the Operation Shielding team until it was wound down on the 28 May, although they had greater availability to contribute to Internal Audit work when they were not involved in calls as demand dropped.
- 3.2.10 In summary the since the last meeting and in the first quarter of this year we have been heavily involved in the following:
- Business Restart Grants-Real Time Assurance
 - Additional Restriction Grants-Real Time Assurance
 - Providing Evidence and Assurance to the Department for BEIS for earlier schemes
 - Restarting suspended work as staff have returned to duties from secondment
 - Completion of our work to co-ordinate and produce the Annual Governance Statement which is considered in full as a separate item elsewhere on the agenda.
- 3.2.11 In order to address the risks to the 2021/22 plan caused by the redirection of resources the Director of Finance has approved additional funding of £30,000 to be carried forward from departmental underspends to allow Mazars staff to carry out additional work via the LB Croydon Apex framework. Meetings have been held with Mazars and the first tranche of this work has been commissioned and is underway.
- 3.2.12 The latest list of outstanding Priority 1 recommendations is shown in Appendix A. There has been some movement in Priority 1 recommendations, and these are detailed further in the report
- 3.2.13 We have made progress on several restarted audits. Whilst we have completed these to a level where we have been able to form a draft opinion to inform our overall opinion as detailed in our Annual Report they have not progressed to the stage of final clearance with

the client department or quality review. There is potential for the risk rating to change if managers provide sufficient evidence to justify it. They will therefore not be included in this report or be published until the Committee next meets. In summary these include:

Audit Title	Draft opinion
GDPR (Focus on staff working from home)	Limited
Housing Benefit	Substantial
Creditors	Substantial

3.2.14 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.

Follow up to the Leavers Process

Audit opinion	Limited
---------------	---------

3.2.15 The audit review of Starters and Leavers was finalised in September 2019 identifying one priority 1, four priority 2 and one priority 3 findings. The priority 1 recommendation related specifically to the process to alert all appropriate departments when an officer left the Authority but the updates to this Committee have included the other issues identified such as system access, termination of the security pass and updating the leavers procedures

3.2.16 The Leavers priority 1 has been considered by this committee since the first update in October 2019 initially reporting on the progress of the IT solution and an online movement form to update all interested parties. For the November 2020 and March 2021 committee updates, Internal Audit completed sample testing of leavers (LBB and agency officers) to evidence compliance to the leavers procedures, collection of security passes, LBB equipment and for their access to the IT system to be disabled. This sample testing included a phone round to all line managers. The sample testing identified areas of concern that fell outside the scope of the priority 1 follow up but needed to be reported and considered by management. The purpose of the follow up report was to consider those issues.

3.2.17 The four findings identified in the follow up report related to:-

3.2.18 Keeping active accounts open past the leaving date – in two instances managers had not completed the workforce amendment form to intentionally keep the account open; in one case this was to allow access to an old system and allow business continuity. The other was to allow an agency officer to assist the service on a specific task.

3.2.19 Agency engagements open past the leaving date – for two officers their leaving date on the agency system was December 2020 but their actual last day of work was in the May and July. This raised a control issue regarding open assignments and inflated the number of agency assignments

3.2.20 Leavers procedures (advice and guidance) – the interviews with managers identified a gap in knowledge with regard to collecting equipment with officers working remotely, accounting for and processing security passes, and the need to review IT user profiles as officers change roles.

- 3.2.21 In respect of business continuity and service delivery, the “out of office” message displayed on Outlook varied in standard and effectiveness. In addition, the workforce amendment form would be the managers opportunity to assign the leavers mailbox, for example, to a replacement officer or to be monitored by the line manager but this had not been utilised.
- 3.2.22 Following the Audit Sub Committee in March 2021, the Chief Executive assigned the leavers process review and resolution of priority 1 issues to the Assistant Director, Performance Management and Business Support, EPP and Head of Policy, Projects and Programmes (CEX) working with HR and IT. Two key documents were developed; the action plan to implement remedial action and a revised leavers procedure to support managers. The four priority 2 recommendations raised in this Leavers follow up report were considered by the project group and the recommendations agreed. The action plan and revised procedures should address the audit issues identified and reported.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	4	4	0
Priority 3	0	0	0

Discretionary Business Grants

Audit opinion	Substantial
---------------	-------------

- 3.2.23 In response to Covid-19, the Government announced there would be support aimed at small businesses who were not eligible for the Small Business Grant Fund, the Retail, Leisure and Hospitality Fund or other forms of support, called the Local Authority Discretionary Grants Fund, and this was launched in May 2020.
- 3.2.24 £2.275 m in payments of Local Discretionary Grant were made to businesses. This report sets out our review of the controls put in place by the Housing, Planning & Regeneration Directorate, Finance Directorate, and the Council’s Exchequer contractor for the Local Authority Discretionary Grant Fund process.
- 3.2.25 In line with the eligibility criteria set by the government, businesses that were eligible for cash grants from any central government COVID-19 related scheme were ineligible for funding from the Discretionary Grants Fund. However, businesses that were eligible for the Self-Employment Income Support Scheme or Coronavirus Job Retention Scheme could receive grants under the Local Authority Discretionary Grants Fund. Additionally, only businesses that were trading on 11 March 2020 were eligible for this scheme. Businesses that were in administration, were insolvent or where a striking-off notice had been made were not eligible for funding under this scheme.
- 3.2.26 The Local Discretionary Grant fund was aimed primarily at businesses in shared spaces and with significant fixed property costs, however Local Authorities were given the discretion to prioritise businesses depending on their local economy and to determine which businesses fit their locally-established criteria.

- 3.2.27 On announcement of the financial support schemes, we were consulted by and worked closely with the Housing, Planning & Regeneration Directorate and the Council's Exchequer Contractor advising on the risks and controls to mitigate those risks. We provided advice on interpretation of the eligibility criteria and setting up the application process including appropriate supporting evidence which should be requested for verification. We also provided support in real time on issues that were arising. We also linked with government agencies such as the Government Counter Fraud Function and the Cabinet Office to utilise anti-fraud tools and data sharing to undertake pre-payment checks and validate applicants as these tools and facilities became available. We also carried out significant post-payment assurance work, as would be expected in respect of a new system, introduced at pace, and as expected by central government given the significant public expenditure. We knew the risk of irregular payments was high and that we would not be able to stop all fraud and irregular payments. By scrutinising the payments that we made and who they went to, we could however help to reduce the loss overall to a minimum. Our ongoing work through the National Fraud initiative where we share and match data with other public sector bodies will address any residual risk.
- 3.2.28 A total of 178 payments were made for Local Discretionary grants, totalling £2,275,000.
- 3.2.29 The post payment assurance work and risk assessment which we have carried out has enabled us to place reliance on the effectiveness of the controls and processes put in place by the Housing, Planning & Regeneration Directorate and the Council's Exchequer contractor for the Local Discretionary Grant claims. No cases of potential fraud relating to the Local Discretionary grant scheme were identified. The scheme has now closed.

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

St Olave's Grammar School Follow Up

Audit opinion	Reasonable
---------------	------------

- 3.2.30 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.
- 3.2.31 Given the audit coverage in previous years, the span of recommendations raised in February 2020 and the Priority 1 updates to Audit Sub Committee in November 2020 and March 2021 it was agreed that this would be a follow up audit review although sufficient testing of controls has been undertaken to allow an audit opinion to be formed.
- 3.2.32 The audit review was completed remotely to comply with Government guidelines prevailing to work from home. The information required for audit examination was scanned and e-mailed by the Finance Manager (FM). The Internal Audit Questionnaire has been revised for 2020/21 to include the impact and response to COVID-19. The questionnaire formed part of the audit review as a self-assessment. As such, the questionnaire, completed by the FM was

certified by the Headteacher and the Chair of Governors to give an adequate assurance that the return was representative of current working arrangements; the certification was independent of the Finance function.

- 3.2.33 This follow up review considered the Internal Audit report issued on 27 February 2020 and the progress made to implement the twelve recommendations. The original audit report identified two priority 1 recommendations relating to Expenditure processes and Financial Management. At the Audit Sub Committee meeting 8 March 2021 Members were advised that the school had satisfactorily progressed both recommendations to be implemented.
- 3.2.34 Of the 7 priority 2 recommendations, 5 relating to HMRC (payments to individuals), Cash Flow, Bank Reconciliation, Petty Cash and Income have been satisfactorily implemented, however the recommendations relating to the Asset Register and Cyber Security are outstanding. Of the three priority 3 recommendations, the two relating to controls accounts (aged creditors and debtors) and the purchase card have been implemented, however the recommendation relating to pecuniary interests is outstanding.
- 3.2.35 The three outstanding recommendations have been re-recommended and one new recommendation was raised for the expenditure process.
- 3.2.36 A sample of 10 payments was selected for audit examination. The main issues arising related to the procurement and project management of one contract, similar issues were identified with the tender to award a second contract. In summary, inadequate planning and preparation was undertaken before the specification was put out to tender. In both cases the tenders received exceeded the budget available. The evaluation completed by the project management and surveying provider recommended to award based on cost, it is not clear if there was any consideration of technical ability, performance or financial viability. The school were advised to complete financial due diligence, but this has not been evidenced for the first contract and as the contractor went into liquidation mid-way through the work, this financial assessment may have been pivotal. It is acknowledged that both contracts were awarded prior to the Head of Finance being appointed in November 2020 and the improvements evidenced in other areas of Financial Management. However, the School Business Manager function has now been split and the responsibility for procurement and contracts transferred to the Premises Manager. Going forward the roles and responsibilities for the one-off projects needs to be clarified and ownership and accountability assigned. The Head of Finance is reviewing the provision of professional services for surveying and project evaluation and will implement a detailed financial risk assessment by an approved Finance company for future projects. The project folders and checklist have been set up and need to be completed to evidence a comprehensive audit trail. The need to seek procurement advice has been discussed and appropriate modules of the contract and compliance training delivered by Corporate Procurement shared with the school. There were minor issues also included in the recommendation; raising a purchase order; completing the IR 35 assessment and checking the invoice to evidence the VAT registration number before payment.

	Number of re-recommendations made	Number of re-recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	2 (1 new)	2 (1 new)	0
Priority 3	1	1	0

Poverest School

Audit opinion	Reasonable
---------------	------------

- 3.2.37 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.
- 3.2.38 The audit review was completed remotely to comply with Government guidelines to work from home. The information required for audit examination was scanned and e-mailed by the Finance Manager (FM). The Internal Audit Questionnaire has been revised for 2020/21 to include the impact and response to COVID-19. The questionnaire formed part of the audit review as a self-assessment. As such, the questionnaire, completed by the FM was certified by the Headteacher and the Chair of Governors to give an adequate assurance that the return was representative of current working arrangements; the certification was independent of the Finance function.
- 3.2.39 Controls were in place and working well for financial management, income, asset management and governance. However, there were five priority 2 recommendations raised relating to the expenditure process (authorised signature list, evaluation of quotes and declaration of interests), IR35, lettings policy, scheme of delegation and assignment of the FMS system administrator role. Three priority 3 recommendations were raised with regard to the contracts register, financial reporting (routine generation of control accounts) and procedures to support the finance function.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	5	5	0
Priority 3	3	3	0

Troubled Families Claim – Claim 2 March 2021

Audit opinion	The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met for expenditure as at 31st March 2021
----------------------	--

- 3.2.40 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.
- 3.2.41 It is led by the Ministry of Housing, Communities and Local Government (MHCLG), 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.

- 3.2.42 For the claim due to be submitted in March 2021 we analysed a random sample of the 215 individual claims for the claim period between 1 October 2020 and 31 March 2021. From our testing we found that there was documented evidence to support that the individual claims sampled met the significant and sustained criteria, enabling a claim to be made.
- 3.2.43 We also checked to confirm that the families in our sample had not been claimed for previously and we identified a claim which had been submitted before, in September 2019. This was notified to the Intelligence & Operations Lead, who removed the claim from the list and added another claim which had been closed and set aside to be claimed for in the next reporting period.
- 3.2.44 Our previous audit work has confirmed that the Early Intervention Team have arrangements in place to identify any claims which have been made previously, prior to submission. On this occasion however, the incorrect submission resulted from a human error. At our request, they completed further checks on the batch of claims and found no evidence of any other duplicate claims. They are confident that they have robust systems in place and will continue to be vigilant going forward. It should be noted that the Troubled Families Programme (renamed recently as the Supporting Families Programme) now allows for 're-claiming' should certain requirements be met.
- 3.2.45 We also confirmed that the total amount claimed for payment by results for the 215 individual claims submitted between the period 1 October 2020 and 31 March 2021 was £172,000.

3.3 Priority 1 Follow Up

3.3.1 Starters and Leavers – Priority 1 update

- 3.3.2 The audit review of Starters and Leavers finalised in September 2019 reported 1 priority 1 recommendation relating to the notification process for managers to inform IT and other relevant departments of staff leaving the Authority. The responsibility to implement was shared between IT and HR.
- 3.3.3 Previous updates to this Committee reported that the IT solution would be the online form to be held on SharePoint Online. This would allow managers to update the leavers information once and the information to be distributed to all appropriate departments, primarily HR, Payroll and IT but also Facilities Management for access and parking and Finance for Procurement card and authorised signatories.
- 3.3.4 Since the last update in March there has been significant progress to review and improve the leavers process including the launch of the online movement form and training. The Assistant Director, Performance Management and Business Support, EPP (PM&BS EPP) and Head of Policy, Projects and Programmes (CEX) were tasked with developing a Leavers Action Plan in consultation with the Assistant Director &SIRO, IT Services and Head of HR Business, System & Reward. The action plan set out 10 areas for improvement with 36 action points assigned to an action owner, a target implementation date and a ongoing progress to implement that is reported to CLT. The areas of improvement are: -

- removal of leavers from the system in a timely way
- managers adhering to the leavers process
- return of LBB property

- oversight of software licences
- application of data and information policy
- agency workers remaining on the system
- update the list of system administrators
- correction of job titles on the system
- loss of corporate memory
- workforce amendment forms

- 3.3.5 The action plan includes the original priority 1 recommendation and the findings identified in the recent Internal Audit follow up report. The action plan was formally agreed at COE on the 30 March and presented at the Managers Briefing on 1 April. Managers were informed that a new policy and procedure was being developed to clarify manger's responsibility with regard to leavers; the need for sufficient handover to allow business continuity; the disablement of system access for all leavers on their last day; to consider the retention of data stored in personal areas; development of a new Information policy to support the move to SharePoint Online; the need to collect LBB equipment and security passes when an officer left.
- 3.3.6 The update to CLT on the 18 May confirms significant progress to implement. The SharePoint Online movement forms went live on the 13 May supported by training sessions for system administrators. There had been 275 system administrators this has now been reduced to one lead and deputy for each department with access to the "leave" function on the new movement form. Additional administrators will be nominated for Children's Social Care, given the size of the department. By limiting the number of system administrators, it allows IT to target training and allow oversight of the leavers process with less officers potentially involved.
- 3.3.7 Since the last committee meeting IT have been reviewing leavers information and quality checking to the Active Directory (AD). Non active officers (agency and LBB) showing on Active Directory that did not match to either Resource Link, HR or the agency system were identified for further investigation and validation from the Directorates. 144 officers were initially identified, and e-mails issued on 16 April to Directors and Head of Service. Management were given 5 working days to respond to IT with a sign off at Director level that the account needed to stay active. No responses were received so all 144 accounts were disabled, 5 follow up emails, all from ASC, were received to reactivate accounts.
- 3.3.8 During the first week of May the IT management team have sampled more than 50% of these accounts to evidence that the account is disabled and confirm that the officer is not showing on the Global Address List.
- 3.3.9 Going forward there will be a monthly report taken from Resource Link and Matrix uploaded to the AD to identify the leavers. The Helpdesk team will access this report and part of end of month procedures will be to disable officers identified as leavers. This check and procedure will be the backup, the primary control is for the managers to inform their system administrators of the need to complete the online movement form.
- 3.3.10 Internal Audit acknowledge the work undertaken by colleagues in IT, HR and the AD PM&BS, EPP and Head of Policy, Projects and Programmes, CEX to progress the leavers process. To comply with our independent reporting and evaluation of priority 1 recommendations a sample of 10 leavers in April and May 2021 (5 agency and 5 LBB officers) was selected to confirm that the leavers process had been followed. For all 5 LBB officers their system access has been disabled and LBB equipment and passes collected. For the 5 agency officers, 2 had been disabled from system access, 2 had been transferred to permanent officer status and therefore still active. For 1 agency officer still showing as active on the

system the line manager confirmed that this placement did not commence, although the leavers report showed a start and end date 3 months later. The system administrator was advised and the account will be disabled via the online leavers form.

3.3.11 Given the evidenced progress of the leavers action plan, the draft leavers procedures, the testing and cleansing of data held by IT management, the launch of the online movement form with training and the satisfactory testing by Internal Audit this priority 1 recommendation is considered closed.

3.3.12 Highways Maintenance – Priority 1 update

3.3.13 The Review of Highways Maintenance was finalised in October 2019. There were 3 priority 1 recommendations identified and at the previous meeting Members were informed that the recommendation relating to the selection of schemes had been implemented. The two remaining priority 1 recommendations related to the management and delivery of agreed highways scheme and secondly the controls on the widening and reconstruction of vehicle crossovers as part of footway schemes.

3.3.14 To review progress to implement these outstanding recommendations Internal Audit have undertaken sample testing to be reported to both the November 2020 and March 2021 committees. For both updates information to support the payment and evidence compliance to the Department's agreed procedure and Financial Regulations was lacking. Sample testing for three additional schemes highlighted concerns with the completeness and quality of supporting documentation for key elements of the ordering, checking and payment process.

3.3.15 Prior to the March committee meeting Internal Audit met with the Highways Manager on the 22 February 2021 to confirm the current procedures and outline the information that was outstanding for the schemes selected for audit testing. The information was not submitted to Internal Audit at that time and some information is still outstanding.

3.3.16 The information provided so far is insufficient to conclude the audit testing and the two priority 1 recommendations will therefore remain open.

3.3.17 At the time of writing this report management are looking to provide the outstanding information required by audit for the sample schemes. Members will be updated at the meeting on the outcome of the audit testing, progress to implement the priority 1 recommendations and the remedial action agreed with management. Dependent on the outcome of this follow up review, an audit of Highways may be planned for inclusion in the next year's Audit plan to ensure ongoing compliance with departmental procedures and Financial Regulations.

Work on additional Certification of Grants

3.3.18 Members will be aware that alongside our normal workload, the government have made a condition of certain grants both Covid and Non- Covid, that they are certified (by the Chief Internal Auditor and Chief Executive) that the terms and conditions of the grant are complied with. In some cases, we are not aware of these until the last moments. Where we are aware, we try to plan accordingly so that we can meet those conditions. We are therefore doing preliminary work in order to achieve deadlines. A summary follows:

Disabled Facilities Capital Grant (DFG) Determination 2020-21 [31/5037] - £2,152,696
Disabled Facilities Capital Grant (DFG) Determination 2020-21 [31/5267] - £289,868

3.3.19 During 2020/21, two tranches of DFG funding were received: £2,152,696 in May 2020 as per determination 31/5037 and £289,868 in December 2020 as per Determination 31/5267. As in previous years, the Chief Executive or Chief Internal Auditor are required to certify to the

Ministry of Housing, Communities and Local Government (MHCLG), no later than 31st October 2021 that:-

- 3.3.20 “To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Disabled Facilities Capital Grant Determination (2020-21) No [31/5037] and [31/5267] have been complied with”.
- 3.3.21 Whilst this workstream is programmed for quarter two, discussions were held with the Group Manager, Housing Improvement, prior to his retirement. Based on these discussions and a high level review of the records held at that time, indications are that the conditions of the grant determination are being met. Spend will, however, have been below budget within the 2020/21 Financial Year, with work restricted at the beginning of the year by Covid-19. Work continues, with schemes approved for completion in the current year.

Local Authority Community Testing Funding Grant Determination 2020/21 [31/5301] (Revenue Ringfenced) - £228,900 and £457,800

- 3.3.22 On 11th January 2021, the Department of Health and Social Care (DHSC) advised by E mail of the Local Authority Revenue Ringfenced Community Testing Funding Grant Determination (2020/21) No: [31/5301]. Annex A of the document confirmed that Bromley’s allocation was £228,900 (first payment) and £457,800 (second payment). The purpose of grant was to ‘provide support to the Local Authority towards expenditure lawfully incurred or to be incurred in relation to Community Testing in response to the COIVD-19 outbreak’.
- 3.3.23 As reported to Audit Sub Committee on 9th March 2021, an interim declaration by the Chief Internal Auditor and the Chief Executive was requested by the DHSC on 26th January, with a 48 hour timescale for receipt, confirming that:-
- 3.3.24 “To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Local Authority Test and Trace Service Support Grant Determination 2020/21: No 31/5301 have been complied with as detailed in the Grant Determination letter dated 30 December 2020”. The timescale was achieved, with the testing completed within one working day.
- 3.3.25 The conditions attached to the Grant funding state sign off requirements as ‘with timings in line with normal MHCLG reporting processes’ therefore further testing will be carried out at the end of the scheme, or as directed by the DHSC to ensure continued compliance with the grant conditions. We are not clear at this stage as to exact timings.

HIV pre-exposure prophylaxis (PrEP) grant determination 2020 to 2021 [31/5179] - £52,330

- 3.3.26 On 25th September 2020, the Department of Health and Social Care (DHSC) advised by E mail of the HIV pre-exposure prophylaxis (PrEP) grant determination 2020 to 2021 No: [31/5179]. Annex A of the document confirmed that Bromley’s allocation was £52,330.00. The purpose of the grant was to fund additional service costs associated with provision of HIV PrEP.
- 3.3.27 Part of the sign off process for the funding is that the Chief Executive/Chief Finance Officer is required to state in a Statement of Grant usage, submitted by 30th June, whether ‘he or she has received an audit opinion from the authority’s Chief Internal Auditor that he can provide reasonable assurance that the statement of grant usage, in all material respects, fairly presents the eligible expenditure in the period 1 April 2020 to 31 March 2021 in accordance with the definitions and conditions in this determination’

3.3.28 Testing for this workstream has now been completed and submitted for review.

Revenue Grant Determination (Ringfenced) Local Authority Covid-19 Test and Trace Services Support Grant Determination 2020/21 [31/5075] - £1,369,923

3.3.29 On 10th June 2020, the Department for Health and Social Care (DHSC) advised of the Revenue Grant Determination (Ringfenced) Local Authority Covid-19 Test and Trace Services Support Grant Determination 2020/21 No: [31/5075]. Annex A of the document confirmed that Bromley's allocation was £1,369,923. The purpose of the grant was to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of COVID-19

3.3.30 The Chief Executive and Chief Internal Auditor of each of the recipient authorities are required to sign and return to the team leader of the Public Health Policy and Strategy (publichealthpolicyandstrategy@dhsc.gov.uk) of the Department for Health and Social Care a declaration, confirming that:-

3.3.31 "To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Local Authority Test And Trace Service Support Grant Determination 2020/21: No 31/5075 have been complied with".

3.3.32 The conditions attached to the Grant funding state sign off requirements as 'with timings in line with normal MHCLG reporting processes' therefore testing will be carried out at the end of the scheme, or as directed by the DHSC to ensure compliance with the grant conditions. Again, we are not yet certain of the timings on this.

3.4 Publication of Internal Audit Reports

3.4.1 Since the last cycle of this Committee, we have published 5 redacted final reports, listed in the table below.

AUDIT	OPINION
Leavers Process	Limited
Poverest School	Reasonable
St Olave's Follow Up	Reasonable
Discretionary Business Grants	Substantial
Troubled Families Claim (March 21)	The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met

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

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/COE; 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 Since the last meeting of the Audit Sub Committee on 9th March 2021, one key amendment has been made to the Corporate Risk Register, by way of the deletion of the 'Potential detrimental impact of BREXIT upon service delivery' risk with individual departments affected by any aspect of the Brexit agreement managing the risk on an individual service basis and recording in the Departmental Risk Register as appropriate.
- 3.5.3 During 2020/21, the Corporate Risk Management Group met twice (September 2020 and January 2021), undertaking its usual programme of scrutiny. The 2021/22 cycle commenced with the meeting of 26th April 2021. The current risk registers are attached at Appendices B1 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 For this committee cycle, the Assistant Director Governance and Contracts (AD G&C) generated a report from the Contract Database and the Procurement Board Planner to identify contracts that met the criteria for the period October 2020 to March 2021. For this cycle, Internal Audit have not completed the usual validation checks on supporting documentation due to current resource pressures. However, the AD G&C confirmed the governance procedures for each entry, except where indicated.
- 3.6.5 The waivers detailed at Appendix C meet the criteria to be reported to Audit Sub Committee. 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 External Audit Update

Progress and Update on the 2019/20 and 2020/21 accounts:

- 3.7.1 The external audit of the 2019/20 accounts is ongoing. Members have previously been advised of significant issues in relation to the accounting and valuation of Property, Plant & Equipment and Investment Properties, which will require the accounts to be amended including a prior period adjustment. The current focus of external audit work concerns the methodology used to value Investment Properties and discussions are continuing between the external auditor and the Council's valuer to resolve this and determine whether the methodology needs to be revised and the valuations of Investment Properties amended accordingly.
- 3.7.2 Work in underway to close the Council's main accounts and pension fund for 2020/21. A timetable for the audit has yet to be confirmed with the external auditor.

Update on Electors Objections:

- 3.7.3 The Council has objections outstanding for three years of account. No objections were received in relation to the 2019/20 accounts and the inspection period is now closed. For the 2016/17 and 2017/18 objections, officers are in regular contact with KPMG to discuss resolving this matter as soon as possible. KPMG has recently requested further information from the Council to inform its review and officers are collating and passing their response back to KPMG. Once KPMG has concluded its work, it will report the outcome to officers. There are four potential options available to KPMG:

- Considering if there is an unlawful item of account that they need to ask the court to consider
- Issuing a report in the public interest on this matter
- Reporting on this matter with recommendations for Council action (these could be statutory recommendations under the Local Audit and Accountability Act)
- Taking no action and dismissing the objection

3.7.4 Subsequently, EY will consider the objection received in relation to the 2018/19 accounts, informed by the conclusions that KPMG has made. Whilst outstanding, the objections prevent the external audits for those years from being formally concluded and a completion certificate being issued.

Audit Fees

3.7.5 Whilst our external auditor, EY, has produced an audit plan for 2019/20, the audit fee has yet to be agreed. PSAA has set a fee of £91,689, whilst EY has proposed a fee of £188,271. The Director of Finance has asked PSAA to review EY's proposed fee and it is hoped this will lead to agreement on a revised figure. EY has yet to issue its plan for 2020/21, including the proposed fee for this period.

Redmond Review Government Update

3.7.6 The MCHLG has published the update report that was promised in the Government's December response to Sir Tony Redmond's Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.

3.7.7 A copy of the report is available on Gov.uk at the following link:
<https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response>

3.7.8 The report provides an update on progress implementing the Government's response to the Redmond Review, including on the delivery of measures to support immediate market stability and towards implementation of Sir Tony's other recommendations. In particular, the report sets out the Government's views on systems leadership for local audit.

3.7.9 The Government agrees that a clearly accountable system leader with overarching responsibility is needed to make sure the local audit framework operates in a coherent and joined up manner, however they do not believe a new arm's length body is needed to achieve this. The update report sets out the Government's view that the new Audit, Reporting and Governance Authority (ARGA), being established to replace the Financial Reporting Council (FRC), as part of BEIS's broader corporate audit reforms, would be best placed to take on this role.

3.7.10 The FRC already undertakes the core functions relating to the audit quality framework necessary for a single responsible body to have. Establishing ARGA as system leader for the local audit framework will, the MCHLG says also ensure alignment with, and harness the positive impact of, the broader audit reforms in train.

3.7.11 To ensure the new regulator acquires the necessary focus and expertise on local audit, a standalone unit will be established within ARGA. The Code of Audit Practice will transfer from the National Audit Office to ARGA, however the latest Code, which includes the new Value for Money commentary, will be retained. ARGA will not conduct procurement or contract management as this could create a conflict of interest. Therefore, the new arrangements will encompass a separate appointing body, in which role PSAA will be reconfirmed, with commercial support from MHCLG for the next procurement.

3.7.12 As the proposed reforms to the local audit framework will take time, MHCLG will take an increased leadership role in the interim, including setting up and chairing the Liaison Committee of key stakeholders which Sir Tony Redmond recommended be created.

3.7.13 The Government intends to launch a public consultation on the proposals ahead of summer recess. With regard to other key aspects of the Redmond Review of particular interest to this Committee the Government's latest position is as follows:

<p>4. The governance arrangements within local authorities be reviewed by local councils with the purpose of:</p> <ul style="list-style-type: none"> • an annual report being submitted to Full Council by the external auditor; • consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and • formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually. 	<p>Accept; we will work with the LGA, NAO and CIPFA to deliver this recommendation</p>	<p>In progress.</p> <ul style="list-style-type: none"> • We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess. • This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.
<p>9. External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.</p>	<p>Accept; we will work with the NAO and CIPFA to deliver this recommendation</p>	<p>In progress.</p> <ul style="list-style-type: none"> • We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess. • This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.
<p>12. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.</p>	<p>Accept; we will work with the LGA, NAO and CIPFA to deliver this recommendation, including whether changes to statute are required</p>	<p>In progress.</p> <ul style="list-style-type: none"> • We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess. • This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.
<p>18. Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external</p>	<p>Accept; we will work with other departments and the NAO to deliver this recommendation</p>	<p>In progress.</p> <ul style="list-style-type: none"> • We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation,

auditor's Annual Report.		<p>which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</p> <ul style="list-style-type: none"> • This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.
--------------------------	--	--

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

Non-Applicable Sections:	Policy
Background Documents: (Access via Contact Officer)	None