

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

**Date:**                   **Thursday 21<sup>st</sup> October 2021**

**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
  - Public Sector Audit Appointments (PSAA) invitation to opt into the national scheme for auditor appointments from April 2023
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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: 2021/22 – 881 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)**

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

3.2.1 The impact of the COVID-19 pandemic has become less disruptive in this quarter as restrictions were eased. Internal Audit work has reduced significantly on Restart Grants and Additional Restriction Grants to support businesses. However, shortly before publication of this report, we were notified by the DWP of a new Household Support Fund (HSF) grant to support those most in need this winter. Bromley's allocation is £1.87m and at the request of the Director of Finance, Internal Audit will ensure that checks are in place to mitigate fraud risk. Additionally, the requirements on Post Event Assurance work required by the Department for BEIS and National Fraud Initiative (NFI) work on Business Support Grant data matches has continued.

3.2.2 The volume of work required on the numerous business grants since April 2020 had been unremitting and had a significant impact on the time and staff resources. To address the risks to the 2021/22 plan caused by the redirection of available resources the Director of Finance and Members approved additional funding of £30,000 to be carried forward from departmental underspends. This would allow Mazars staff to carry out additional work via the LB Croydon Apex framework. Work has been commissioned from them and is underway which, together with the Internal Audit team returning to business as usual, means that risks to achieving delivery of the plan have been addressed.

3.2.3 The latest list of outstanding Priority 1 recommendations is shown in Appendix A. There has been some movement and additions to Priority 1 recommendations, and these are detailed further in the report

3.2.4 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.

##### **Creditors**

Audit opinion	Substantial
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- 3.2.5 The overall objective of the audit was to review a sample of payments made to creditors and the operation of controls during lockdown due to Covid-19 pandemic.
- 3.2.6 Controls noted to be in place and working effectively included the checks in place to help prevent and detect duplicate payments, reconciliations of the creditors' control account were being undertaken, changes made to the services and their delivery due to Covid-19 were documented and circulated to the relevant stakeholders and the expenditure exceeding £500 was published on the Council's website in compliance with the Local Government Transparency Code 2015.
- 3.2.7 All the payments examined in our sample were authorised by the manager at the correct authority level, VAT was claimed correctly where applicable, and the invoices were scanned and retained to support the payments made.
- 3.2.8 The Council is implementing new systems for Finance and Care Management by April 2022. We have taken this into account when making recommendations.
- 3.2.9 Two new recommendations have been made to improve the control framework. These relate to the authorising managers verifying payment amounts to the signed copies of the contracts, and controls for setting up and amendment of suppliers' details on the Council's Finance System.
- 3.2.10 The recommendations made in the previous audit report issued on 30 September 2019 were also followed up as part of this review. There was one priority 1 recommendation which had been implemented following the publication of the previous report. There were seven other priority 2 and priority 3 recommendations made. Where recommendations had not been implemented, we either re-recommended them or made further recommendations; these relate to the supplier set-up procedures, remittance advice, authorised signatory list and access to the Council's Finance System. We will revisit these as part of our advice on controls which should be included in the new version of the Finance system.
- 3.2.11 Our testing also identified issues relating to the accuracy and completeness of information held on the Council's case management system. This has been referred to the Head of Service Placements and Brokerage to liaise with Care Management, to review and resolve. Internal Audit will be reporting separately to management on this issue and the remedial action to be taken as appropriate.
- 3.2.12 We also noted that a supplier set up form from our sample had not been completed correctly by the supplier. The supplier was based outside the UK but the details of the bank account to which the supplier had requested payment was a personal bank account based in the UK. We have examined this and related matters concerning this supplier. A separate report has been issued about this and is summarised in the next section.

	Number of recommendations made	Number of recommendations accepted	Risk accepted but no action proposed
Priority 1	0	0	0
Priority 2	6 (including 4 follow-up)	6 (including 4 follow-up)	0

Priority 3	0	0	0
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### **Review of engagement of a consultant for a business area of Children's Services**

- 3.2.13 Our audit of creditors identified a supplier which had been set up on Oracle in December 2020 for providing consultancy work in Children's Services. The supplier was based at an address in the European Union (EU) and the company was registered there. The payment details showed however that the name of the bank account to be paid was a UK personal bank account with a North of England address. We reviewed this supplier set up, including the financial and procurement arrangements and the IR35 assessment.
- 3.2.14 We found that the consultant's tax arrangements were properly considered, as required by Contract Procedure Rules, before the payment arrangements to the consultant's personal bank account in the UK were put in place. BACS payments made through the Oracle financial system can only be made in British pound sterling. Payment by CHAPS was considered but not proceeded with as it would not be cost effective to make international payments in this way. We were however informed subsequently by senior management in Finance Directorate that the cost is not as prohibitive as a member of Finance Directorate had originally told Children's Services. The decision-making process within Finance Directorate for authorising international payments to suppliers needs to be clarified. The Council's tax advisors have advised that as the engagement was outside of the off payroll working rules and the worker was based in the EU, there would be no liability for UK tax/NICs to be deducted from the payments.
- 3.2.15 The consultant had been engaged in November 2019 and an IR35 assessment had been carried out correctly, as required. At the end of the engagement the consultant relocated to the EU and set up a new business. They were then re-engaged after four months under this new company name, but no new contract had been issued or signed. This was remedied as soon as we identified it during our review. We requested, but did not see, the supplier's public liability and professional indemnity insurance for the new contract or the specification accompanying the initial and re-engagement contracts. The supplier's contract has now ended following completion of the improvement work.
- 3.2.16 An IR35 assessment was not carried out when the consultant's re-engagement was identified by HR, because they would be carrying out the same work as when previously engaged. There is however no guidance in the 'Engagement of Additional Resources' procedure manual specifying what information and evidence of relevant due diligence checks should be obtained, prior to re-engaging someone for an off-payroll engagement. The Director of HR and CS and the Director of Finance approved this re-engagement without being aware that the original budget of £38,500 for this work had been exceeded by £17,100, with a further £13,200 spent by the time the re-engagement was identified by HR.
- 3.2.17 A 22% increase in the daily rate was agreed when the consultant was re-engaged, four months after the original engagement ended. That was a market factor agreed as the consultant was being used by other local authorities for similar work. The agreement was not however documented. The consultant's performance was reviewed at regular meetings between senior managers in Children's Services.
- 3.2.18 The consultant was engaged due to their expertise in the specialism of the particular service they were working on, but no quotations were sought for this work and a waiver exemption was not obtained, as required by Contract Procedure Rules. A total of £94,850 was spent on this work against an original budget of £33,750. The Children's Services cost centre was overspent in 2019/20 and 2020/21. This was contained in the overall expenditure on Council

Services. There was no evidence that sufficient funds were made available prior to the re-engagement of this consultant.

- 3.2.19 A comprehensive Procurement Practice Note entitled 'Contracting for Professional and Consultancy Services' was written by the Head of Procurement in March 2021. It was uploaded on the Procurement Team's Sharepoint site but has not been publicised Council-wide to raise awareness of the procedures to be followed by managers.

	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	1	1	0

### **Freedom of Information and Subject Access Requests – New Priority 1 Recommendation**

Audit opinion	Limited
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- 3.2.20 The audit objective was to provide an independent opinion on the adequacy and effectiveness of the control environment relating to the Freedom of Information (FOI) and Requests for Subject Access Requests (SARs)
- 3.2.21 Controls noted to be in place and working effectively included training for the Information Management Team (IMT) on information governance and changes to legislation; cascade of information to departmental information coordinators and performance feedback at semi-annual meetings; requests logged on the system in a timely manner; weekly reminders were sent to coordinators with outstanding requests to ensure compliance to statutory deadlines and there was collation of FOI and SAR data to record volume and process/response times.
- 3.2.22 The review identified one priority 1 finding relating to correspondence not being retained centrally. The IMT should issue an acknowledgement e-mail upon receipt of an FOI or SAR request and a final e-mail response to the request. For the sample of 10 FOIs and 5 SARs tested, not all correspondence was evidenced due to the unavailability of staff (long term leave or having left the Authority). In summary, for 7 of the FOI and 2 of the SAR tested, the acknowledgement could not be evidenced; for 2 FOI's, the draft response was not verified and for 1 FOI the full response could not be verified. Management have confirmed that this recommendation has been implemented as the new case management system, OneTrust, went live in August and will hold all information relating to the request. As a priority 1 recommendation this will be retested, and an update reported to Members at the next Committee. At that point the new system will have been live for several months and the effectiveness of the procedures can be evaluated.
- 3.2.23 There were two priority 2 recommendations raised relating to the SAR and FOI policy documents. The SAR policy, available on the Council's website was last revised in May 2018, should have been reviewed in May 2019 but was this was not completed. There was no FOI policy or internal policy for processing FOI requests available for internal or external use.

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

### Housing Benefit 2019-20

Audit opinion	Substantial
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3.2.24 This audit was delayed due to the Covid 19 pandemic and was completed alongside the 2020/21 Housing Benefit Audit.

3.2.25 The key risk areas identified on the terms of reference for review were:-

- Changes in circumstances may not properly supported by valid documentation or assessed in line with policies and procedures and properly processed.
- Reconciliations may not be undertaken.
- Previous audit recommendations may not have been implemented

The audit included a review any revised service delivery arrangements put in place in recent months, as a result of COVID-19 pandemic.

3.2.26 A sample of 20 cases were selected for testing. The samples were selected from the different areas of coverage such as overpayments, backdated claims, change in circumstances and appeals.

3.2.27 We brought to management's attention that in four of the appeal cases sampled, the Authority was found not to be compliant with the DWP's three month appeal decision timeframe. A re-recommendation was made and agreed 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

## Housing Benefit 2020-21

Audit opinion	Substantial
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3.2.28 This audit was delayed due to the Covid 19 pandemic and therefore a review of current year claims and arrangements was undertaken and completed alongside the 2019/20 Housing Benefit Audit.

3.2.29 The key risk areas identified on the terms of reference for review were :-

- Changes in circumstances may not properly supported by valid documentation or assessed in line with policies and procedures and properly processed.
- Reconciliations may not be undertaken.
- Previous audit recommendations may not have been implemented

A review any revised service delivery arrangements put in place as a result of COVID-19 pandemic was undertaken.

3.2.30 A sample of 20 cases were selected for testing. The samples were selected from the different areas of coverage such as overpayments, backdated claims, change in circumstances and appeals.

3.2.31 There were no recommendations made.

## Implementation of COVID-19 Procurement Arrangements

Audit opinion	Substantial
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3.2.32 The audit objective was to review actions taken during the COVID-19 pandemic to support providers of Council services in compliance with the Government's Procurement Practice Notes (PPNs) 01/20 and 02/20.

3.2.33 PPN 1/20 – Responding to COVID-19 detailed options that could be considered for procurement under the Public Contract Regulations 2015 including:

- Direct award due to extreme urgency
- Direct award due to the absence of competition or protection of exclusive rights
- Call off from an existing framework or dynamic purchasing system
- Call for competition using a standard procedure with accelerated timescales
- Extending or modifying a contract during its term

3.2.34 PPN 2/20 – Supplier relief due to COVID-19 – offered practical guidance to contracting authorities and suppliers on keeping payments flowing through the supply chain and encouraged all contracting authorities to provide support to their suppliers during the disruption arising from COVID-19. This support included continuing to pay throughout and/or

adapting payment terms and relaxing key performance indicators. Any agreed changes would be implemented through a temporary variation agreement.

- 3.2.35 Controls were noted to be in place and working effectively based on the audit testing conducted. PPN guidance was issued to contract owners in April 2020 and again in July 2020. The Leader’s decision on the 24 April 2020 granted delegated authority to Chief Officers to take appropriate action to manage contracts during and after the pandemic. Communication was sent out to all providers on 24 March 2020 detailing the support available and arrangements to meet specific needs of each supplier. There was a dedicated website offering advice and guidance.
- 3.2.36 The Gateway report and supporting documentation for a sample of 10 contract awards (after 1 April 2020) were satisfactorily checked to the guidance set out in PPN1/20 (7 extensions and 3 direct awards).
- 3.2.37 A sample of 10 providers was tested to ensure compliance to PPN2/20 (supplier relief). Two providers did not require relief, and this was logged by the contract owner. For the other 8 providers checked there were appropriate reasons, documented, to give support however the agreed template to record the support arrangement had not been completed and returned.
- 3.2.38 The Assistant Director Governance & Contracts confirmed that the templates had been requested to support COE (Chief Officer Executive) and CLT (Corporate Leadership Team) oversight at the time, July/August 2020. It was agreed that there was no value in completing these templates retrospectively however a communication has been sent to all contract owners emphasising the importance of responding to similar requests in the future. It would also serve to remind all contract owners to review their contracts to ensure that any actions taken at that time have been supported by a suitable contract variation.

	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

### Review of the operation of the Waste Collection and Waste Disposal Contracts

Audit opinion	Substantial
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- 3.2.39 The Waste Collection and Waste Disposal Contracts were awarded to the current contractor with effect from 1/4/2019 for a period of 8 years. The whole life value of the contracts for Waste Disposal and Waste Collection are £73 million and £103 million respectively with an actual spend of £25,358,366 in 2020/21.
- 3.2.40 The new contracts had incorporated measures to address any areas of weakness identified in the previous Internal Audit reports and management investigation which have been considered by the Committee. The contract management and monitoring of the new contracts should operate within the controls offered by the developed frameworks, separation

of duties and revised procedures for all aspects of the contract (financial, service delivery and performance).

- 3.2.41 This audit review measured the current waste contracts against the previous 15 priority 1 recommendations as these were representative of key areas of risk within the contracts. Additionally, these were known areas of previous weakness and therefore facilitated targeted audit testing.
- 3.2.42 Management fully engaged with the audit process and supplied comprehensive documentation to support compliance to control procedures for the 15 areas of review. Audit accessed all shared areas to independently test payments, monitoring and contract management.
- 3.2.43 Management advised that a Performance Management Framework (PMF) has been agreed and adopted for the new waste contracts. The aim of the PMF is to have a shared vision of the contract performance and future direction of the Service and Contract, and the roles that both parties will play to achieve targets.
- 3.2.44 The sample testing evidenced that the PMF has allowed adequate contract monitoring, independent review of the data submitted by the contractor that can then be quality checked and tracked through to contract monitoring.
- 3.2.45 Management confirmed that all changes/variations were documented and formalised as Change Control Notices (CCN) and saved on the Contract Filing System and shared online platform with the contractor.
- 3.2.46 Management advised that an agreed process was in place for wet paper and card which was formalised by a CCN in December 2019. The Waste Strategy Manager acknowledged that this agreed process was not fully followed in 2020/21 as LBB staff were not always on site due to COVID-19 restrictions, to undertake the required checks on the rejected paper loads. The process was temporarily revised to accommodate remote working. The interim change to agreed processes should have been supported by written procedures to evidence approval by an appropriate authorising officer and to ensure business continuity in the absence of the responsible officer. An interim change in process should also be time limited and a review date diarised to ensure agreed working practices can be resumed as soon as circumstances revert to normal and business as usual is allowed. This has been set out as a finding.
- 3.2.47 Management advised that a reconciliation process for tonnage was in place and documented in the Contract Monitoring Framework. The agreed process was observed to be followed except for the physical checks of a sample of LBB disposal tickets corresponding to the contractor's spreadsheet report. The Waste Strategy Manager stated that the process will be resumed once the COVID-19 restrictions are lifted. Interim changes to agreed procedures should be documented, approved, time limited and subject to regular review.
- 3.2.48 Management confirmed and audit sample testing verified that the staff responsible for the authorisation and payment of invoices understand their responsibility to comply with Financial Regulations in performance of their roles.
- 3.2.49 The declaration of interest forms were also checked for officers involved in contract management and payment of invoices. For one officer a personal interest was declared, and management evidenced their statement to show knowledge and they had considered any impact.
- 3.2.50 Management advised that the payment mechanism for Waste Disposal was applied monthly. It was noted that at the time of audit review there were no outstanding payments due to the Council.

- 3.2.51 Management also confirmed that the performance management information presented to Committee is collated by the Business Support Officer who is independent to the waste contracts and works in a team separate to the waste management officers. All committee reports written by the Waste team are reviewed by Procurement, Legal and Finance before being published, this is in line with the Council's governance procedure. The information presented to the Committee was satisfactorily verified by the auditor to the supporting evidence.
- 3.2.52 Management advised that the Head of Finance was consulted on the financial impact of any changes being considered before agreement. The two contract managers regularly liaise with the Senior Accountant, and there were planned quarterly budget monitoring meetings. Notes from these finance meetings are attached to a spreadsheet and saved. Summary notes from the Senior Accountant, in the form of emails are also retained. Internal Audit satisfactorily verified the evidence of regular budget monitoring meetings to review the financial position.
- 3.2.53 The Department has maintained a Gift and Hospitality Register up until February 2020. Since home working emails have been sent to the Business Support Officer. The Department has introduced an electronic version of the register in June 2021 which has been rolled out to all officers in EPP. There have been no declarations in the Gifts and Hospitality Register in respect of the Waste contracts for the reviewed period.
- 3.2.54 Management confirmed that the signed contracts for the Waste Disposal and Waste Collection are held in the strong room which is managed by Legal Services. Electronic copies of the contracts were available on the Contract Filing System and the shared online platform with the contractor. Internal Audit checked the Contracts Database and confirmed that signed copies of contracts have been uploaded for both Waste Collection and Waste Disposal. The Legal Services team also verbally confirmed that a copy of the contract should be in the vault. The physical check on the sealed contracts could not be checked due to ongoing COVID-19 restrictions.
- 3.2.55 Management advised that the Contract Managers have undertaken the Financial Regulations and the Contract Procedure Rules training. Internal Audit discussed the ongoing management responsibility to ensure that all officers involved in financial processes have access to the Financial Regulations and understand their roles and responsibilities. Any issues identified with the understanding and interpretation of the Financial Regulations should be addressed by appropriate management support and training. The Financial Regulations are available on the corporate intranet and have embedded links to relevant policy documents and the contact details for the responsible team.
- 3.2.56 The review of the payment process as part of this Audit did not highlight any issues with the officers understanding of their roles and responsibilities. Other evidence seen as part of this review also demonstrated that the Contract Managers were aware that any variations to contracts need to be actioned formally via a CCN.
- 3.2.57 The Senior Performance Officer advised that the Business Support Team undertook a review of the contract management process at the start of the new Waste contract in April 2019. Their review formed the basis of the Contract Monitoring Framework which sets out the Contract Monitoring Systems that operates for the Waste Collection and Disposal Contract. Satisfactory evidence of the review in April 2019 was provided.
- 3.2.58 This audit review has considered areas of known weakness previously identified by Internal Audit reports and management investigations. Management have evidenced ownership of the issues previously raised and have adopted processes and procedures to mitigate identified risks.

3.2.59 The audit opinion is based on the specific areas defined in the scope for this review. It is acknowledged that not all aspects of the Waste Management contracts have been considered but adequate coverage has been achieved in key areas to allow the substantial assurance audit opinion to be given.

	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

### Marjorie McClure School

Audit opinion	Reasonable
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3.2.60 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.

3.2.61 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 School Business Manager (SBM). The Internal Audit Questionnaire has been revised for 2021/22 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 SBM 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.

3.2.62 Controls were in place and working well for financial management, expenditure, income, asset management and governance. However, there were four priority 2 recommendations raised relating to the HMRC online assessments (IR35), the contract register, waivers for expenditure over £5K and the certification process for the procurement card. Three priority 3 recommendations were raised with regard to the lettings policy, annual stock take and committee minutes.

	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	3	3	0

## Supporting Families Claim – Claim September 2021

Audit opinion	The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met for expenditure as at September 2021
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- 3.2.63 The Troubled Families Programme (now renamed as the Supporting 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.
- 3.2.64 It is led by the Ministry of Housing, Communities and Local Government (now called the 'Department for Levelling Up, Housing and Communities'), 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.
- 3.2.65 There were 143 individual claims closed between 1 April 2021 and 30 September 2021 and we checked a randomly selected sample of 10% of these claims (i.e.15 claims).
- 3.2.66 Our review of these claims found that 14 out of 15 claims in our sample met the relevant criteria for a claim to be made. For the remaining claim, in our opinion the indication from the practitioner that 'significant progress' had been met was misleading. The Intelligence and Operations Lead agreed with us, removed the claim from the list and replaced it with another claim which had been closed and set aside to be claimed for in the next reporting period. She is addressing this issue for future claims by adding an option to the form to make it clear where a case has been referred to specialist services instead. We will confirm that this has been done when we audit a sample of claims in the next claim window in March 2022.
- 3.2.67 We also checked to confirm that the families in our sample had not been claimed for previously and no such instances were identified.
- 3.2.68 We also confirmed that the total amount claimed for payment by results for the 143 individual claims submitted between the period 1 April 2021 and 30 September 2021 was £114,400.

### 3.3 Priority 1 Follow Up

#### Highways Maintenance – Priority 1 update

- 3.3.1 The audit 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 an agreed highways scheme and secondly the controls on the widening and reconstruction of vehicle crossovers as part of footway schemes.
- 3.3.2 In previous updates to this committee, Internal Audit acknowledged that management had submitted process documents to evidence implementation of the two priority 1 recommendations relating to the availability of and compliance to written procedures. Management was advised that these procedures would need to be embedded before effective testing by Internal Audit. Internal Audit selected a sample of schemes in October 2020 to ensure compliance with the revised procedures. Management engaged with Internal Audit to provide the requested information however there have been issues relating to the availability of all documents to support the agreed procedures for ordering, performance

monitoring and processing the invoices for payment. These processes were also impacted by interim changes driven by the pandemic.

- 3.3.3 Information provided by management thus far is insufficient to conclude that the two outstanding recommendations relating to the processes to manage and deliver Highways and Footway schemes have been satisfactorily implemented. Given the elapsed time since the completion of the selected sample schemes there is limited value in Internal Audit requesting supporting documentation to evidence compliance for these projects.
- 3.3.4 At this time, the two outstanding recommendations are deemed redundant given the elapsed time and the need to consider other issues arising. An audit review of the Highways Maintenance service will therefore be a more effective way of following up the areas previously identified by the outstanding priority 1 recommendations and assess current procedures for ordering, contract monitoring and payment of invoices. The review can also consider the impact of COVID and the ongoing recovery for contract monitoring.

### **Data Centre – Priority 1 update**

- 3.3.5 The Director of Housing, Planning, Property and Regeneration (HPP&R) attended the previous Audit Sub Committee meeting in June and updated Members on the ongoing issues with the power supply to the data centre. The Director of HPP&R confirmed that an update would be provided after the system shutdown on the 18<sup>th</sup> June at which point it would be clear what work needed to be completed and scheduled.
- 3.3.6 Internal Audit contacted the Director of HPP & R on the 8<sup>th</sup> July and confirmed that the shutdown did take place on the 18<sup>th</sup> June as planned with all interested parties on site. It was agreed that the work required was a repair not a replacement. The final specification for the work to be done had been considered by the contractor, IT and Facilities Management (FM) and a date would be agreed by mid-July to complete the work. The Head of FM and Capital Projects (CP) had been asked to confirm the UPS provider and age of the unit, but this was unlikely to be available.
- 3.3.7 Internal Audit contacted the Head of FM & CP to provide an update for this Committee. It was confirmed that major components had not yet arrived in the country. With no confirmed delivery date for the kit to be on site the contractor had been unable to allocate resources to the project work and had programmed the work for November. The work to replace the switch could have gone ahead on the weekend of 2<sup>nd</sup> and 3<sup>rd</sup> October but this would have resulted in two planned shutdowns attracting two sets of costs from the IT contractor. The Head of FM and CP confirmed that another site visit had been scheduled for 30/9/2021 to agree the work to be undertaken and schedule dates.
- 3.3.8 The Head of FM and CP contacted Internal Audit on 4/10/2021 to give an update on the discussions and agreement from the site visit on 30/9/2021. The repair work is now scheduled for late November by which time all equipment should have been received in the UK and the necessary resources, from both contractors, available. The exact date will be updated to Members at the meeting.

### **Work on additional Certification of Grants**

- 3.3.9 Members will be aware that alongside our normal workload, the government have made a condition of certification (by the Chief Internal Auditor and/or the Chief Executive) that the terms and conditions of the grant are complied with.

**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

Audit opinion	The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met for expenditure as at 31st March 2021
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- 3.3.10 During 2020-21, the London Borough of Bromley was awarded a total of £2,442,564 Disabled Facilities Capital Grant Funding. In line with the conditions attached to the funding, the Chief Executive or Chief Internal Auditor of each of the recipient payment authorities is required to sign and return to the Housing Support Division of the Ministry for Housing, Communities and Local Government a declaration, to be received no later than 31st October 2021, in the following terms: "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 No [31/5267] have been complied with".
- 3.3.11 Based on discussions with officers and a review of the records held, Internal Audit has gained appropriate assurance that the conditions of the grant determination have been met however, within the 2020-21 Financial Year, a spend of £1.050m against the budget was achieved, with mandatory DFG work restricted by COVID-19. The remainder has been carried forward and work continues, with a further £799k spent as at 31st August 2021
- 3.3.12 It was noted during the course of the testing that a change in the collection arrangements for the Agency Fees had resulted in an in year undercharge. This did not affect compliance with the grant conditions and following discussions with the Head of Finance, Adult Social Care, Health and Housing, assurance has been received that systems are in place to ensure they are correctly adjusted and accounted for in the 2021/22 Financial Year.

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

Audit opinion	The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met for expenditure as at 31st March 2021
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- 3.3.13 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]. The purpose of the grant was to fund additional service costs associated with provision of HIV PrEP. Annex A of the document confirmed that Bromley's allocation was £52,330.
- 3.3.14 The sign off process for the funding included a requirement that the Chief Executive/Chief Finance Officer specified in a Statement of Grant usage, to be submitted no later than 30th June 2021, states 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'.
- 3.3.15 The data from the tariff validation system, whilst not validated by Internal Audit, reflected that services with a tariff value of £48,937 were provided during the 2020/21 financial year and, in line with the London Sexual Health Programme's agreed approach to routine commissioning of PrEP, a further £4,665 of online testing expenditure is estimated to have been incurred for the same period. Based on this methodology, the eligible expenditure for the programme during 2020/21 is £53,602 and Internal Audit has gained appropriate assurance that the conditions of the grant determination have been met.

**Surrey & South London Regional Partnership Step Up to Social Work – Cohort 6  
[SCME/CSC GR1000656 SUSW6]**

**01 April 2019 – 31 March 2020 - £193,727.20**

**01 April 2020 – 31 March 2021, including the extension period in 2021 - £576,220.45**

Audit opinion	The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met for expenditure as at 31st March 2021
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- 3.3.16 The Council has been required to submit a Certificate of Grant usage, initialled by the organisation's Chief Auditor, confirming that the total amount of the grant was used exclusively for the purposes set out in the agreement with the Department for Education, for the periods 1st April 2019 to 31st March 2020 and 1st April 2020 to 31st March 2021, including the extension period in 2021.
- 3.3.17 Based on discussions with the relevant officers and a review of the records held, Internal Audit has gained appropriate assurance that, To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the Cohort 6 grant funding received was exclusively used for the purposes set out in the agreement between the Grant Recipient and the Department for Education, dated 19th December 2018'.

### **Social Care – Case Management System**

- 3.3.18 The new case management system, Liquidlogic, the replacement for CareFirst, has been rolled out in two stages. Children Social Care (CSC) went live on 19<sup>th</sup> July and Adult Social Care (ASC) is planned for a go live date of 1<sup>st</sup> November.
- 3.3.19 Internal Audit involvement in the development and implementation of the new system has been limited to date. In the preliminary stages Internal Audit had shared audit findings related to CareFirst with the Project Team. As the CSC go live approached, Internal Audit received a walk-through demonstration of the system, specifically the financial elements. A follow up meeting was held with the Assistant Director Strategy, Performance and Corporate Transformation (project sponsor) and the SCIS Programme Manager to discuss initial observations and to confirm that a full audit would be completed in December 2021. Internal Audit remain available to the project team for any advice regarding system controls and processes.

### **Additional Restrictions Grant scheme - control advice and checks**

- 3.3.20 The Additional Restrictions Grant scheme was introduced in December 2020 to enable local authorities to support local businesses impacted by the pandemic. The Council used the Additional Restrictions Grant to devise and administer schemes to support businesses within the Borough, including the Hardship Fund scheme, the Innovation scheme, the Public House scheme and the Tier 4 top up scheme. A total of £9,598,000 was paid to local businesses under this scheme.
- 3.3.21 Using our knowledge and experience gained from the other grant schemes, we liaised with Finance Directorate, the Head of Regeneration and representatives from the Exchequer Services contract, advising on risks and controls to mitigate fraudulent payments and prevent and detect instances of error and non-compliance.
- 3.3.22 These controls were derived from the Government's Counter Fraud Measures Toolkit and included having a fraud clause, clawback agreement and privacy statement in the on-line application and due diligence checks on the companies' pre-payment to identify if they were

dissolved or in liquidation at the time of application, had overdue accounts or a history of insolvency and/or a different registered company number and address from that stated in their application.

- 3.3.23 We carried out pre-payment checks using the Government's Counter Fraud Function tool 'Spotlight'. Open-source data was checked where the business was not registered at Companies House or was a sole trader. We also set up colleagues in the Culture and Regeneration Directorate with access to the National Fraud Initiative application so that they could carry out a pre-payment check on the bank account referenced in an application. 745 applications by businesses and individuals were checked using pre-payment checks. There were no applications which were identified and investigated as fraudulent. One business was paid twice in error and the amount is being recovered.
- 3.3.24 Additional testing will be carried out in the coming months as part of our post payment assurance plan required by central government to confirm that there are no instances of fraud, error, or non-compliance which were not discovered during our pre-payment checks.

### **Meadowship Homes LLP Property Acquisition Scheme Advisory Review**

- 3.3.25 At the request of the Director of Housing, Planning and Regeneration, a desktop/advisory review of the draft documentation underpinning the Meadowship Homes LLP scheme was undertaken to identify any additional governance arrangements or controls which should be considered. The review was carried out as an additional piece of work to the 2021/2022 Internal Audit Plan.
- 3.3.26 The purpose of the scheme is to acquire approximately 242 properties under a funding arrangement with Orchard and Shipman for use as accommodation to help reduce the current pressures in relation to homelessness and temporary accommodation.
- 3.3.27 Based on a review of the documentation the following areas were identified for consideration:-
- 3.3.28 Lines of accountability for the 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.
- 3.3.29 Key deliverables specified within the documentation should be extracted to form a monitoring framework with timescales, ownership, and overall responsibility for the framework assigned to ensure that all quality assurance requirements are met. End to end procedures should be documented and available to all relevant staff to ensure that all processes within the scheme are carried out consistently.
- 3.3.30 Whilst the Scheme has a risk register, consideration should be given to using the Departmental/Corporate Risk Register template, with each risk allocated an owner who has responsibility for regular review and management of the risk.
- 3.3.31 A file management system should be agreed between the strategic and operational elements of the scheme, ensuring that all information such as Legal documents, meeting minutes, Key Performance Indicators, property details and procedure notes is retained and available.
- 3.3.32 The Council should satisfy itself that:-
- all entities have an appropriate structure in place to support both the initial purchasing and ongoing management phases.

- all policies of insurance stated in the documentation have been taken out, remain in force and provide an adequate range and level of cover
  - provision is made for Lease extensions, if required, at the end of the scheme
  - the average cost in the model is based on sold prices of properties within the stated procurement area and not 'asking' prices, and that the model is kept under review in line with publicly available information such as HM Land Registry Sale price analysis.
  - interest will not be compounded during the repayment holiday
- and, as to the robustness of the funding structure and its security position versus financial exposure in terms of both the loan and its obligations under the Guarantee.

3.3.33 The areas for consideration have been accepted by management.

### 3.4 Publication of Internal Audit Reports

3.4.1 Since the last cycle of this Committee, we have published 11 redacted final reports and Statements of Grant usage, listed in the table below. Members are requested to agree exemption for one audit report as detailed in Part 2 of this agenda.

AUDIT	OPINION
Creditors	Substantial
Review of engagement of a consultant for a business area of Children's Services	N/A
FOI and Subject Access Requests	Limited
Housing Benefit 2019-20	Substantial
Housing Benefit 2020-21	Substantial
Implementation of COVID19 Procurement Arrangements	Substantial
Operation of the Waste Collection and Waste Disposal Contracts	Substantial
Marjorie McClure School	Reasonable
Supporting Families Claim – Sept 2021	The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met
Disabled Facilities Capital Grant (DFG) Determination 2020-21 [31/5037] and [31/5267]	The evidence seen by Internal Audit demonstrates that the grant claim conditions have been met
HIV pre-exposure prophylaxis (PrEP) grant determination 2020 - 2021 [31/5179]	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
<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	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

- 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 met on 10th September 2021 undertaking its usual programme of scrutiny and the current Risk Registers are attached as Appendices B1 to B9. Since the last meeting of the Audit Sub Committee on 8th June 2021, the Corporate Risk Register has been refreshed with the existing controls and further action required updated. The risk ‘Failure to adequately adapt to the impacts of Climate Change’ has been added, the ‘Impact of COVID-19 pandemic on service delivery’ has seen a reduction in both Gross and Net Risk Ratings and the following two risks have seen a reduction in Net Risk Rating:-

- Failure to deliver partial implementation of Health and Social Care Integration.
- Effective governance and management of Contracts.

### 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 Contracts Database and the Procurement Board Planner to identify contracts that met the criteria for the period April 2021 to September 2021. The AD G&C confirmed the governance procedures for each entry.
- 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, causing a delay in completion of the audit to allow for these matters to be investigated and remediated.
- 3.7.2 It was agreed with the external auditor that the valuations of the Council's Investment Properties needed to be reviewed and amended by the Council's valuer. The Council's valuer has now completed this exercise and made a number of changes and corrections to the underlying data. The revised valuations will now be reviewed by the external auditor to determine whether they are acceptable; once this has been completed it should be possible to finalise the adjustments to the accounts and for the audit to be completed.
- 3.7.3 Work is underway to close the Council's main accounts and pension fund for 2020/21, although this has been delayed as a consequence of the 2019/20 account not being finalised. Given this, a timetable for the audit of the 2020/21 financial statements has yet to be confirmed with the external auditor.

#### **Update on Electors Objections:**

- 3.7.4 The Council has objections outstanding for three years of accounts. 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

3.7.5 Once KPMG has concluded its work on the 2016/17 and 2017/18 objections, it will fall to Ernst & Young (EY) to consider the objection received in relation to the 2018/19 accounts, informed by the conclusions that KPMG has made.

3.7.6 Whilst the objections remain unresolved, the external audits for the years in question cannot be formally concluded and a completion certificate being issued.

3.7.7 No objections were received in relation to the 2019/20 accounts and the inspection period is now closed. Owing to the delays described the Council has not yet opened the 2020/21 accounts for public inspection

### **Audit Fees**

3.7.8 The Council asked the PSAA (Public Sector Audit Appointments Ltd) to arbitrate to determine an appropriate fee for the 2018/19 audit. The process concluded that EY's proposed fee of £219,171 should be reduced by £20,049 to £199,122. This compares to the scale fee, set by PSAA, of £91,689.

3.7.9 Whilst EY has produced an audit plan for 2019/20 including a proposed audit fee of £188,271, this has not yet been agreed by officers. The Director of Finance has again requested that PSAA 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.

3.7.10 PSAA is currently consulting on and developing its procurement plans for the next round of audit appointments commencing in April 2023. This is against a challenging national backdrop of a fragile supplier market, lacking competition and capacity, and with an underlying tension concerning the level of audit fees, particularly when considered against the increasing level of audit work that is being driven by the regulator, the Financial Reporting Council.

### **Public Sector Audit Appointments (PSAA) invitation to opt into the national scheme for auditor appointments from April 2023**

3.7.11 In accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations), PSAA has formally invited all eligible bodies to become opted-in authorities to the national auditor appointment arrangements for the audit years 2023/2024 to 2027/2028 in its role as a specified appointing person. The length of the compulsory appointing period is the five consecutive financial years commencing 1 April 2023.

3.7.12 A decision to become an opted-in authority must be taken in accordance with the Regulations that is by the members of an authority meeting as a whole (Full Council).

3.7.13 To become an opted-in authority, the form of acceptance notice has to be completed and returned by Friday 11 March 2022.

3.7.14 The Local Government Association (LGA) supports the appointing person arrangements and encourages as many eligible bodies as possible to opt in. It believes the national scheme

remains the best option councils can choose. In its view, there are many reasons for favouring the national arrangements and those reasons have become more compelling since 2016/17 when councils were last asked to make this choice.

The benefits of opting in are expressed by PSAA are that it:

- has a specialist, experienced team who will use that technical expertise and sector knowledge to make transparent and independent auditor appointments
- aims to procure an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of their quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication
- is very familiar working with the complexities of the evolving local audit framework and regulations when making auditor appointments, managing contracts with audit firms, and setting and determining audit fees
- is a not-for-profit organisation whose costs are around 4% of the total scheme costs, and they distribute any surplus back to scheme members
- independently assesses proposed fee variations, authorising billing only when satisfied that the proposal is justified and in line with the requirements of the statutory regulations
- is an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling them to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system
- conducts research to raise awareness of local audit issues, and works with MHCLG and other stakeholders to enable changes arising the Redmond review, such as more flexible fee setting and a timelier basis to set scale fees

Opting in:

- is the PSAA believe the best option for securing the appointment of a qualified, registered auditor in the current challenging market – there are currently only nine registered suppliers
- avoids the need to undertake an auditor procurement and ongoing contract management activities (such as fee variation management), saving local time, effort and cost, including establishing an Auditor Panel with an independent chair to oversee a local procurement and running of the contract. A panel must have a minimum of three members, with a majority who are independent of your organisation
- is the most efficient solution for the sector – collective procurement is much less time-consuming for bodies (and for auditors) than a multiplicity of local, smaller procurements
- give free access to their Local Audit Quality Forum and webinar events on key topics
- needs to be done by 11 March 2022 – if the Council decides not to opt in by this date it will not have another opportunity to join the scheme until 1 April 2023 at the earliest. In the case of late entrants PSAA is entitled to recover any costs incurred in sourcing an auditor for them

**It should be noted that:**

- the scope of local audit is fixed, as it is defined by statute and by accounting and auditing codes – it would be the same under any local procurement as under PSAA's procurement

- some typical services contract levers such as penalties for late delivery cannot be applied to an audit services contract, as fees calculated on the basis of a specified outcome (eg specific date completions) are classified as contingent fees, not allowed under the FRC's Ethical Standard

It is therefore recommended that the Committee recommend opting in to the PSAA arrangement when the Full Council consider the matter.

### 3.8 Recruitment of new Head of Audit and Assurance

- 3.8.1 Following the notice of intended retirement by the Head of Audit & Assurance, a recruitment exercise was undertaken for a replacement. There was a very strong field of applicants. Following short listing and interview the decision was made to appoint Francesca Chivers. Francesca graduated from Pembroke College Cambridge with an MA in English in 2001. She then fulfilled a variety of roles in the public and private sectors before starting her audit career in 2012 as a trainee with Kent County Council. She obtained her Chartered Internal Auditor qualification whilst at Kent County Council and worked her way up to become an Audit Manager, which included being the Chief Audit Executive for Kent Fire and Rescue Service and Tonbridge and Malling Borough Council. She is currently Chief Audit Executive for the Dartford and Sevenoaks Internal Audit Partnership and hopes to attend tonight's committee. She will commence employment in Bromley in December.

### 3.9 Fraud Summary

- 3.9.1 **This report provides an update on both new and previous cases of fraud and special investigations. The RB Greenwich Fraud Team covers all aspects of fraud including maintenance of a fraud register. Internal Audit also carry out investigations into conflicts of interests, breaches of rules and regulations and will assist the Fraud Investigators where there is a requirement to understand or examine LBB systems.**

#### Blue Badge Fraud

- 3.9.2 Members are aware of the activity by the Shared Parking Service to combat the criminal offence of Blue Badge misuse. APCOA Civil Enforcement Officers (CEOs) carry out inspections and ask drivers of vehicles displaying a Blue Badge specific questions to determine whether or not misuse is taking place. CEOs and authorised Council Officers can legally confiscate a Blue Badge and return it to the issuing Local Authority should any misuse be suspected. High rates of prosecution success have been achieved through close working with the Greenwich Fraud Team.
- 3.9.3 Following investigation after confiscating a badge, evidence is collected, and the case passed to the Greenwich Fraud Team (GFT). The Greenwich Team will carry out an investigation, identifying drivers, arranging interviews under caution, establishing intent and mitigation and undertaking public interest and evidential tests on cases which may be suitable for prosecution before being passed to Legal for final authorisation. Feedback is also provided where evidence or process errors affect the suitability for prosecutions so that this can inform CEO training.
- 3.9.4 Prosecutions are undertaken by Bromley Legal Services utilising the Single Justice Procedure. The Criminal Justice and Courts Act 2015 introduced the Single Justice Procedure which applies only to cases involving adults charged with summary-only non-imprisonable offences. It enables such cases to be dealt with by a single magistrate sitting with a legal adviser on the papers without the attendance of either a prosecutor or the defendant. The defendant will instead be able to engage with the court online (or in writing) and the case will not be heard in a traditional courtroom. The Single Justice Procedure was designed to save Court time in cases where a full hearing may not be necessary.

- 3.9.5 It is for prosecutors to identify cases which are suitable for the single justice procedure. These are commenced by a written charge and a document called a 'single justice procedure notice.
- 3.9.6 The single justice procedure notice is sent to the defendant explaining the offence which has given rise to the proceedings, the options available to the defendant, and the consequences of not responding to the notice. It is accompanied by the evidence upon which the prosecutor will be relying to prove the case. The notice will give the defendant a date to respond in writing to the allegation - rather than a date to attend court. However, the defendant has the right to request a traditional hearing in open court. If they wish to plead not guilty, or otherwise want to have a hearing in a traditional courtroom, the defendant can indicate these wishes in the response to the single justice procedure notice. In such circumstances the case will be referred to a traditional court and the case will be managed in the normal way.
- 3.9.7 In cases where a defendant pleads guilty and indicates that they would like to have the matter dealt with in their absence, or fails to respond to the notice at all, a single magistrate will consider their case on the basis of the evidence submitted in writing by the prosecutor, and any written mitigation from the defendant. The single magistrate can convict and sentence or dismiss the charge as appropriate.
- 3.9.8 If a single justice considers at any point that it would be inappropriate to conduct the case under the single justice procedure, the justice can refer it to a traditional magistrates' court.
- 3.9.9 The Parking Services Blue badge policy was reviewed in November 2020 with a new set of procedures which included an additional outcome of a simple Caution. This additional outcome is now included in the statistics.

### **Covid-19**

- 3.9.10 The lockdown and restrictions as a result of the pandemic had a significant impact on the volume of Blue Badge referrals generated by the Council.
- 3.9.11 The table below provides a comparison of referrals received for a whole year with the pre COVID-19 affected year and the figure for the current year so far.

Table 1 – Blue Badge Referrals

	<b>20/21</b>	<b>2020/21</b>	<b>21/ to date</b>
Total	129	22	27

- 3.9.12 The table above shows that there is now a gradual increase in the number of new cases being referred, with more cases in 6 months than the whole of the previous year. Clearly though, the number of cases is still far below those of pre pandemic, when confiscation of badges and engagement with drivers was unrestricted.
- 3.9.13 As a result of the pandemic and the lockdown, 'Interviews under Caution' were only possible during short windows when the tier level allowed. Interviews have resumed since 12<sup>th</sup> April 2021.
- 3.9.14 As at 14 September 2021 there were 4 cases designated as "prosecution pending." This means that the cases have been fully investigated and are now with Legal Services for consideration of appropriate further action.

3.9.15 The table below provides a comparison of prosecutions and warning letters for the whole year with 2019/20 and 2020/21 and the year to date

Table 2 – Blue Badge Prosecutions and warning letters

	<b>2019/20</b>	<b>2020/21</b>	<b>21/to date</b>
prosecutions	46	57	6
warnings	30	30	7
Cautions			2
<b>Total</b>	<b>76</b>	<b>87</b>	<b>15</b>

3.9.16 The figures for 2020/21 are distorted in that they are the results of the backload of cases concluding from the previous year's referrals.

### **Blue Badge Fraud – Learning Disability Setting**

3.9.17 The Greenwich Fraud Team completed an investigation and issued their report to Internal Audit on the 18/8/2021. In this case the driver had been using a Blue Badge issued by LB Islington and reported to have been stolen. In the subsequent appeal letter and Interview Under Caution the driver explained that he worked at a Learning Disabilities (LD) setting and had a service user in the car. The driver had mistakenly taken the wrong Blue Badge from the home. GFT confirmed that the service user had a valid Blue Badge that could have been used.

3.9.18 This case did raise audit concerns with regard to the controls in place at LD settings for the security, issue and usage of our service users' Blue Badges.

3.9.19 Internal Audit liaised with the Contract Compliance Team Leader, Adult Services, to contact the placement in question and establish their local procedures. It was confirmed that as a result of the incident the care provider at the unit had reviewed their processes. The Blue Badges were now secured in a lockable tin, recorded on the care plan and a handover procedure has been introduced to ensure the correct badge is issued and evidence accountability.

3.9.20 Internal Audit issued the Blue Badge guidance to the Compliance Team to be shared with this and other Learning Disability providers. The good practice discussed during this case will also be rolled out to all providers at the LD providers forum.

### **Direct Payments Investigation**

3.9.21 Two direct payment have been referred to Internal Audit for advice and investigation.

3.9.22 In the first case, our Direct Payment contractor referred a change of bank account details request from a care provider. There were two issues arising, the new bank account was with an online finance platform not a bank and a search on Companies House identified that the named company was to be dissolved and the new bank account was in the name of a new company. For direct payments the service user engages the personal carer and as such we needed the agreement of the family to process the payment to the new business account. Given the overlap with care management and the priority to continue care for a complex case, Internal Audit liaised with the Head of Learning Disabilities to expediate affirmation from the family and resolve the issues from the Direct Payment contractor.

3.9.23 The second case was referred by the Greenwich Fraud Team in response to an allegation received regarding direct payments for personal care. Internal Audit reviewed the case on CareFirst and identified that the service agreement was still active, a weekly cost of £159 was being paid to the Direct Payment Contractor. Notation held on CareFirst showed that the service user had asked for the direct payment to be stopped in June 2021. An email from the Direct Payment Contractor dated 10 September showed that there was a balance of £7,752.16 on the account and that no timesheets had been received since July 2020. This case identifies two areas of concern; there was no apparent alert from the Direct Payment Contractor to care management that timesheets had not been received and therefore care had probably ceased and secondly that a service had been ended but because this had not been authorised, payments were still being made and the balance not clawed back. This case has been referred to the Group Manager of the service to process the outstanding authorisation and then review how this client was possibly overlooked. Issues raised in this investigation will be added to the planned audit of Direct Payments - Prepaid Cards in quarter four.

### **Miscellaneous Cases**

3.9.24 There have been 10 cases of suspected Council Tax fraud received in the six-month period, and 10 of suspected subletting or vacating addresses. Six have resulted in referrals to Housing Associations. Two Council Tax cases resulted in overpayments of CTRS being recorded with a value of over £6,200 to the Authority.

3.9.25 A total of 24 cases were referred on to the DWP during the course of the year so far relating mainly to Benefit cases where allegations of undisclosed income and living together were made. In most cases of this type the DWP benefit needs a decision before any Council Tax Reduction Scheme (CTRS) decision can be made.

### **New Fraud types**

3.9.26 A significant area of new work is suspected fraud associated with the COVID-19 small business grants. Eight new cases were raised in the period with one carried forward. Seven remain under investigation.

3.9.27 Last year £30,000 was recovered from three businesses investigated.

3.9.28 So far this year £20,000 has been recovered where a company operating at two premises within the Borough had claimed a grant that they were not entitled to and thus two £10,000 payments have been recovered.

### **National Fraud Initiative (NFI)**

3.9.29 Checking of data matches is an ongoing feature of the current workload. A list of around 60 cases is being prepared that will require the Exchequer Services Contractor adjudication work to establish overpayments. The statistics from this will be available later in the year.

### **Housekeeping**

3.9.30 Following the Pandemic, in an effort to maintain an efficient investigation service and react quickly to any incoming investigations, cases are assessed regularly for progress. There were 129 cases active at the start of April 2021 or opened within the current year of which 47 are still open. At the start of the previous year there were 113 open investigations.

### **Business Support Grants investigations arising from NFI matches**

- 3.9.31 The matches in relation to the business grants were released on 23rd April 2021. The matches relate solely to the business support grant schemes that were introduced by the government at the beginning of the pandemic in March 2020.
- 3.9.32 The three schemes were the Small Business Grant Fund (SBGF) and the Retail Hospitality Leisure Grant Fund (RHLF) and the Discretionary Grant Fund. It is not known whether a similar data matching exercise will be undertaken in respect of the subsequent grant schemes introduced by the government since November 2020.
- 3.9.33 There were potentially 9 separate NFI reports that could have been received. LBB received a total of 44 separate matches over four reports which highlighted potential issues with duplicate grants being awarded to business.
- 3.9.34 After the initial review and examination of the business rates system and the associated application and supporting information located on the business rates database, a number of cases were closed with no further action necessary as there was a clear explanation behind why the grants would appear as potential matches.
- 3.9.35 In the remaining cases, there were queries raised as to how the highlighted businesses qualified for the grant scheme. This was predominantly where the SBGF grant was awarded but the business did not appear to be in receipt of the Small Business Rate Relief.
- 3.9.36 Across the four NFI reports received there were 22 matches identified where it was subsequently agreed with the Exchequer Services Contractor that the grant was awarded erroneously under the SBGF scheme.
- 3.9.37 In most cases the individual / business would have qualified for the same amount of grant via the RHLG scheme and would appear to have been an administrative error. There was no financial loss to the public purse or no financial gain by the individual / business.
- 3.9.38 As part of the business grant process in relation to the SBGF scheme, it is fair to say from dialogue with other peers responsible for administering and investigating the grants awarded under the scheme that due to the nature of the SBRR scheme (i.e. 100% rate relief in most cases) there is a tendency towards businesses choosing not to notify the local authority that a business has “changed hands”.
- 3.9.39 As a result, local authorities will have invited businesses to apply who would not qualify for the grant as they were not open / trading on the key qualification date of 11th March 2020.
- 3.9.40 Many of these will have been identified as part of the grant administration process at the time of application and award. Nevertheless, there are still some cases identified as part of the NFI exercise where the SBRR in place in respect of the business has been called into question.

### **Current status of investigations**

- 3.9.41 The final results of the exercise are still to be confirmed as there are three matches where interviews under caution have yet to take place. It will also be necessary to revisit the business rate accounts where the Exchequer contractor have indicated that it may need to review SBRR entitlement to establish the amounts involved.
- 3.9.42 In some instances, there are concerns that the SBRR may have been in place erroneously for a number of years. At present there is a total of £70,000 that has been paid in SBGF grants where it seems the individual / business was not eligible for the payment relief. (Relates to 6 matches – 2 of which need to be finalised).

3.9.43 There are 7 matches where there is an expectation that the SBRR in place may potentially be withdrawn. Current calculations from the Exchequer contractor in respect of 5 of these matches show a total of £95,275.30 in SBRR that was in place erroneously. Further calculations are awaited in respect of the other 2 matches.

**Potential for further matches**

3.9.44 In addition to the potential for further matching exercises with the subsequent business support grants the NFI have released 6 further business grant matches on 30/09/2021 in respect to the SBGF, RHLF and Discretionary Grant schemes. The outcome of their review will be reported at the next committee meeting.

**Further fraud related information is recorded in Part 2 of this report.**

**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.

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