

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 2nd March 2022**

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

Title: **INTERNAL AUDIT PROGRESS REPORT**

Contact Officer: Francesca Chivers, Head of Audit and Assurance
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Chief Officer: Director of Finance

Ward: (All Wards);

1. Reason for report

This report provides an update to Members on Internal Audit's progress and outcomes since the last report presented to Audit Sub-Committee October 2021. It covers:-

- Audit Progress and Outcomes
 - Audit Report Summaries
 - Follow up of Recommendations Raised
 - Audit Activity (Other work)
 - External Quality Assessment
 - Counter Fraud Activity
 - Update on the Statement of Accounts and Objections
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2. **RECOMMENDATION(S)**

- a) Note the Progress Report and comment on matters arising
- b) Note the list of Internal Audit Reports published on the Council's website
- c) Approve the proposed amendments to the Internal Audit Plan 2021-22 as set out in paragraph 3.1.4
- d) Agree the proposed approach to the External Quality Assessment set out in section 3.5

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:
-

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 and Outcomes

- 3.1.1 Internal Audit is an independent and objective assurance and consulting function. 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, and the team undertake reviews over the course of the year that are designed to achieve this purpose. Each individual review, together with audit follow up and ad hoc pieces of work, contributes towards the Head of Internal Audit's overall opinion on systems of risk management, governance and control given at the end of the year.
- 3.1.2 This interim report provides Members with an update on internal audit activity and, crucially, its outcomes, against the Plan that was agreed by Members of this Committee in March 2021.
- 3.1.3 An overall summary of progress against the approved 2021-22 Internal Audit Plan is set out in **Appendix A**. To date, we have completed 20 pieces of work with a further seven in fieldwork or draft report stage. One of the key functions of Internal Audit is to provide assurance that risks to the achievement of the Authority's objectives are being managed and, as such, the table in **Appendix A** also shows how the completed audits relate to the core Ambitions set out in 'Making Bromley Even Better' and the Corporate Risk Register. Members will note that the 2022-23 Internal Audit Plan (provided as a separate agenda item) includes coverage of key corporate risks that have not or will not be covered as part of the 2021-22 Internal Audit Plan.
- 3.1.4 It is important to continually review the agreed Internal Audit Plan to ensure that it remains relevant and aligned to key risks. We have undertaken a comprehensive review of the current Internal Audit Plan, which remains broadly fit for purpose. However, in light of changes within and outside the organisation and the continued need for some Internal Audit resource to focus on grant schemes, we are proposing the following changes to the Internal Audit Plan which Members are asked to approve. Commentary on the likely impact on the Annual Opinion is provided.

| Audit Title | Proposed Change | Rationale | Impact on Annual Opinion |
|--------------------|------------------------|--|---|
| ICT Strategy | Defer until 2022/23 | The current ICT Strategy was approved in 2018 and has since evolved due to the pandemic. A new strategy is being developed in 2022/23; Internal Audit would add more value at this stage by ensuring that the Strategy is fit for purpose, is based on robust analysis and takes into account all key risks. | None as a significant amount of work has been undertaken within the ICT service in 2021/22. |
| Direct Payments – | Defer until 2022/23 | Direct Payments – Adults was | None as the focus was primarily on |

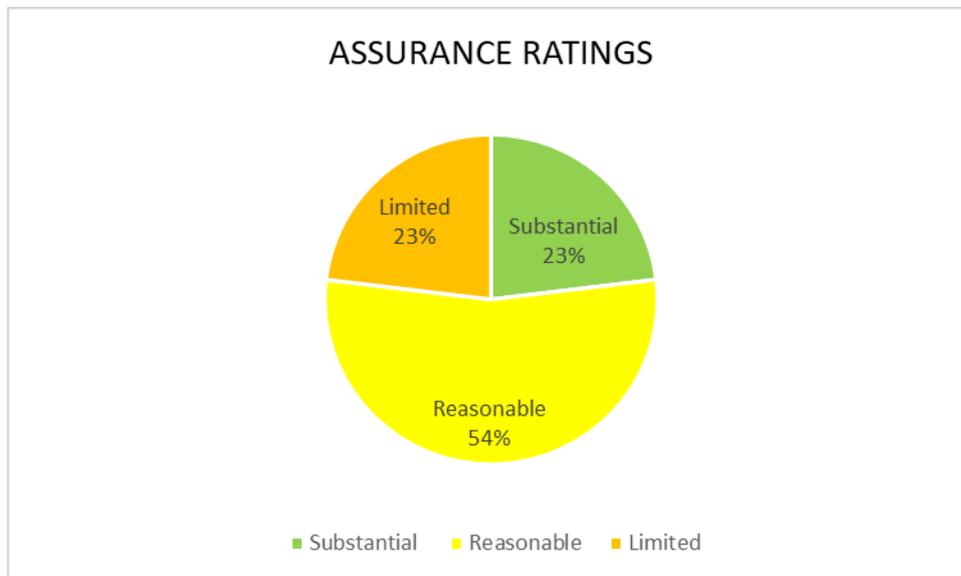
| | | | |
|--------------------------|------------------------------------|--|---|
| Adults | | relaunched in February 2022 with changes to approach, procedures and responsibilities. A six-month post-implementation review would be more beneficial. | financial controls and we have undertaken Financial Assessments, Appointeeship and Deputyship and Supported Living within Adults Social Care. |
| St Olaves Grammar School | Defer until a later financial year | Internal Audit undertook some follow-up work at St Olaves in May 2021 and further work is unlikely to represent best use of resource at this stage. | None – two full schools audits have been undertaken in the 2022/23 financial year. |
| Bromley Housing Stock | Cancel and re frame for 2022-23 | The original audit proposal envisaged that the Council would be managing its own housing stock, with associated landlord responsibilities. This is not the case, as all property is managed through a third party. An governance audit of these arrangements would therefore add more value; we propose to undertake this in the second half of 2022/23. | There is no perceived impact on the Annual Opinion as sufficient other work has been undertaken in the relevant service this financial year. |

3.1.5 Since the last report to this Committee in October 2021, we have finalised and published seven redacted reports, as per the table below. Our current definitions of assurance ratings are provided in **Appendix B**.

| AUDIT | ASSURANCE RATING |
|-----------------------------|------------------|
| Blue Badge Scheme Operation | Reasonable |
| Housing Options | Reasonable |
| IT Asset Register | Limited |
| Supported Living | Reasonable |

| | |
|---------------------------|------------|
| Covid-19 Risk Assessments | Reasonable |
| Downe Primary School | Reasonable |
| Financial Assessments | Reasonable |

- 3.1.6 The audits completed since the last report to Committee have covered a range of risks; one (Covid-19 Risk Assessments) has relevance Authority-wide but the remainder were principally focused on one or two specific service areas.
- 3.1.7 The majority of our work received 'Reasonable' assurance which indicates that overall, controls are generally adequate to mitigate risks, with some exceptions. Key strengths identified across several of these audits included that the processes had adapted well to new ways of working necessitated by the pandemic. This applies equally to service interaction with external customers as to the Council's own arrangements for managing risks to its staff.
- 3.1.8 We noted some common areas for development across our audit work. One of these was around deficiencies in the quality and accuracy of data or management and monitoring information, for which we raised recommendations in three of the above audits. Adequacy and completeness of information is an important component of effective governance and decision-making. We also raised four recommendations across the audits regarding quality assurance mechanisms and frameworks. Had these been in place, it is likely that the issues raised as part of our audits would have been highlighted and addressed earlier. Although Internal Audit provides independent assurance on key risks, it is also important that operational managers have their own arrangements in place to identify where controls are not operating as intended and to drive service improvement. Themes emerging from internal audits will be shared with Corporate Leadership Team as part of the regular bi-monthly Internal Audit Update.
- 3.1.9 We have raised two new Priority 1 recommendations since the last Committee cycle; one regarding the IT Asset Register and one regarding the Learning Disability – Supported Living service. In essence, both of these related to management of the Council's assets and resources; we found that there were insufficient processes in place to ensure that these were safeguarded or used to best effect. Managers have provided comprehensive action plans for both of these which, when fully implemented, should mitigate the identified risks. Further detail is provided in the relevant summaries below and in **Appendix C**.
- 3.1.10 The chart below provides a breakdown of all audit assurance opinions to date for the 2021/22 financial year. Overall, the largest proportion of audits received 'Reasonable' assurance which leads me to conclude that my interim overall opinion on systems of risk management, governance and control would be 'Reasonable' in line with the definitions provided in **Appendix B**. The chart will be updated for the year end position and the Annual Opinion.



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

3.2 Summaries of Key Audit Findings

Blue Badge Scheme Operation

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

3.2.1 This audit reviewed the system for management of the scheme including eligibility, assessment and issue of badges. Blue Badge fraud (counterfeit badges, holders' deceased, expired badges and 'holder not present', for example), was out of scope.

3.2.2 As a result of the pandemic, the Blue Badge service delivery model transferred from a predominantly paper based, onsite service with a face to face assessment element, to a remote online service, almost overnight.

3.2.3 Key strengths included innovative use of assessment tools, with a range of methods used whilst face to face assessments were suspended. Further, in all cases sampled, the £10 fee for issuing the badge had been collected. Information on the website is comprehensive and has been updated to reflect that due to necessary changes in procedures, some applications are currently taking longer to process.

3.2.4 The governance framework could be enhanced through a suite of agreed policies and procedures with supporting Key Performance Indicators. Management Information is produced and collated manually outside the system which increases the risk of error and inefficient use of resources.

3.2.5 Whilst the majority of applications tested had been appropriately processed and approved, testing identified one exception where the expiry date had been entered incorrectly and one which was approved without prior referral to the Occupational Therapy service for clinical evaluation.

3.2.6 There is currently no quality assurance process in place to ensure consistent application of guidelines and decision making for applications 'eligible subject to further assessment'.

3.2.7 We raised six recommendations as per the table below, all of which were accepted by management.

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

Housing Needs, Early Intervention and Advice (Options and Assessment)

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

3.2.8 This audit focused on the Council's obligations under The Homelessness Reduction Act 2017 to prevent Homelessness and direct to alternative housing options.

3.2.9 The Housing Options 'Front Door' was adapted in light of COVID-19 with a greater emphasis on prompt on-line and telephone communication and support available for applicants accessing the service via both channels. Procedures are documented and management support is available to the Housing Options officers via the Duty Manager system.

3.2.10 We found that the information publicly available on the Council's website was not sufficient to encourage self-help or to signpost customers to alternative sources of help and information. Enhancements to the website should support people more effectively to make decisions about how to retain control over their housing situation, find solutions within the community and third sector and to navigate the process to identify and understand the self help and support options available.

3.2.11 The Personal Housing Plans that we reviewed were of mixed quality and the majority of cases which had ended had not been closed by a manager. There is currently no quality assurance framework to monitor performance standards, ensure decisions/case closures are appropriate, timescales are adhered to and to investigate deficiencies/variances. Such a framework, with the resulting qualitative and quantitative performance data could also be used to supplement the Housing Performance Digest to drive performance improvement.

3.2.12 Whilst the applicant's verbal agreement to their Personal Housing Plan is recorded in the relevant box on the Housing Case Management software system, it would be best practice to routinely seek the applicant's tangible agreement to the Personal Housing Plan.

3.2.13 We noted one case during the audit where an E mail had been sent to an applicant which contained their household ID, password, security question and answer, together with the link to the Housing Portal. Should such emails be read by third parties, there is a risk of unauthorised access and a data breach.

3.2.14 We raised four recommendations as per the table below, all of which have been accepted by management.

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

IT Asset Register

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

3.2.15 The overall objective of the audit was to review the management of IT assets following the roll out of new IT equipment. This included the arrangements for maintaining the accuracy and completeness of the IT asset register.

3.2.16 Controls noted to be in place and working well included that the IT contract framework agreement specifies the IT contractor's responsibility for the recording and maintaining of an IT asset register. Two of the Council's IT policies state the personal responsibility of Council employees for any IT equipment issued.

3.2.17 We identified however that the information recorded in the IT asset register is not up-to-date, accurate or complete. There is no periodic, independent review carried out to identify any gaps in information or inaccuracies and confirm that assets purchased have been correctly added to the register. We made a Priority 1 recommendation to address this.

3.2.18 We made four other recommendations to improve the control framework, as per the table below. These related to the lack of an overarching IT asset management policy and procedures, security of assets before they are allocated to employees and the identifying and storing of assets to be re-used and assets to be disposed of. We also raised a recommendation about the reconciliation of monthly consumption charges paid to the IT contractor for assets in use.

3.2.19 All the recommendations made were accepted by management.

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

Supported Living

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

- 3.2.20 The scope of this audit was to review the effectiveness of contract management and monitoring to provide supported living schemes, including payments.
- 3.2.21 Identified strengths within the service included the arrangements put in place throughout the pandemic. Despite reduced staffing, management put in place a number of arrangements including assisting suppliers with receiving PPE, setting up supply chains and helping suppliers prepare for the winter pressures.
- 3.2.22 The key risk highlighted by our testing was an absence of monitoring to identify and respond to voids. Providers are able to recover the core costs relating to voids and therefore voids do not represent best use of Council resources. There were a number of voids in 2020-21, some of which were in excess of 18 months due to necessary remedial works.
- 3.2.23 We also identified three cases where the service user returned to their family home during the pandemic but the Council continued to pay for their 1:1 care. The department are aware of this and are clawing back monies totalling £33,164.50 in respect of these three cases. The Project Manager, Strategy, Performance, Corporate Transformation Division is undertaking a piece of work to identify high cost placements and is monitoring overpayments and changes in circumstances. We have been advised that there are 14 supported living cases whereby clawbacks have been made totalling £131,392.48 for 2021-22.
- 3.2.24 We reviewed two provider contracts which contained no key performance indicators; these were extended due to the pandemic but have now been retendered and replaced.
- 3.2.25 We raised three recommendations as per the table below, all of which have been accepted by management.

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

Health and Safety – Covid-19 Risk Assessments

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

- 3.2.26 The objective of this audit was to review the adequacy and effectiveness of the Council's Covid-19 specific risk assessment process for individual services. This included the completeness and availability of risk assessments, and compliance with Health and Safety regulations, including those specific to Covid-19.

- 3.2.27 Key strengths include that guidance on completion of the Covid 19 risk assessment was provided via the Corporate Leadership Team (CLT) to senior management. This is also available on the Intranet and supporting training has been made available to managers. The Staff Handbook - Return to The Workplace supports this guidance and is readily available to all staff on the Covid-19 portal. The majority of services within the Council had completed a Covid-19 risk assessment.
- 3.2.28 Regular monitoring and review of the risk assessments is essential to ensure that arrangements remain effective and adhered to. Sample testing highlighted that it was not consistently clear when or if risk assessments had been regularly reviewed or how these had been cascaded to staff. Further, at the time of fieldwork, four services across the whole Council had not completed specific Covid-19 risk assessments. The Corporate Health and Safety Team are taking appropriate action, and by the time we issued the final report, there was only one outstanding area.
- 3.2.29 It is important that risk assessments, including scoring of risks, are undertaken consistently so that the Council has an overall picture of its risks and mitigations, and can readily identify areas where more resource or assistance may be required. However, one out of four services sampled had not scored their risks and no risk assessments were clear as to the numbers of staff that they covered.
- 3.2.30 We raised five recommendations as per the table below, all of which have been agreed by Managers with implementation dates in January and February 2022.

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

Financial Assessments

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

- 3.2.31 The objective of this audit was to review the controls in place for Financial Assessments to minimise financial and other risks. Financial Assessments are undertaken by the Council's Exchequer Services contractor.
- 3.2.32 We found that the Council's website contained sufficient and accurate information for service users. The correct parameters have been set up on the system to calculate the financial assessment, thus minimising the risk of human error, and systems access was appropriately restricted. In the majority of relevant cases, financial assessments had been carried out.
- 3.2.33 The service adapted to the pandemic by replacing home visits with a system whereby service users were asked to submit their financial information via post or online. This was indisputably an appropriate decision however our audit testing highlighted some cases which

has been outstanding for a lengthy period of time (over 15 months in one instance) as service users had not complied with this request. At the time of fieldwork, escalation methods for these cases required strengthening.

- 3.2.34 Prior to the pandemic, the Council reviewed a random sample of financial assessments each quarter, but these had paused due to other priorities. We have been advised by the Contract and Operations Manager that these will resume by the end of April. We raised four recommendations as per the table below, all of which have been agreed by Managers.

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

Downe Primary School

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

- 3.2.35 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.
- 3.2.36 The audit review was completed remotely in line with the Council's guidelines to work from home where possible. The school completed a self-assessment which was certified by the Headteacher and the Chair of Governors and information required for audit examination was scanned and e-mailed by the School Administrative Officer (SAO).
- 3.2.37 Controls noted to be in place and working well included those for budget monitoring, utilisation of reports from the FMS (financial system), asset management and governance arrangements such as financial delegation, budget approval and business interests.
- 3.2.38 However, there were three Priority 2 recommendations raised relating to the expenditure process, HMRC online assessments (IR35) and the arrangement of a Purchasing card for the school. Four Priority 3 recommendations were raised regarding the contract register, monthly VAT returns, lettings policy and aged debtors and creditors report.
- 3.2.39 All the recommendations made were accepted by management.

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

3.3 Follow Up of Recommendations Raised

3.3.1 Internal Audit currently follows up all Priority 1 recommendations until they are closed. We will shortly be expanding this process to include all recommendations raised. This is in line with professional standards which require the Head of Internal Audit to “establish a follow-up process to monitor and ensure that actions have been implemented or that management have accepted the risk of not taking action”. Clearly, follow-up activity does need to be proportionate and we currently envisage taking a risk-based approach with a greater level of testing / verification required for higher priority actions. We will be discussing and designing the new follow-up process in our forthcoming team meeting and a verbal update will be provided on the 2 March as to how this process will work in practice.

3.3.2 A list of all Priority 1 recommendations open as at the previous Audit Sub-Committee report in October 2021 is provided at **Appendix C**. There are currently four open Priority 1 recommendations. One of these recommendations relating to the IT Asset Register (see paragraph 3.2.17) has only recently been issued and therefore we have not followed this up. We have however followed up all other recommendations; one of these has been fully closed and the others remain in progress.

Freedom of Information (FOI) and Subject Access Requests (SAR) – Priority 1 update

3.3.3 Since the last report to Audit Sub-Committee in October 2021, we have closed one Priority 1 recommendation relating to Freedom of Information and Subject Access Requests. This recommendation was raised because acknowledgements and full responses to requests were not available for a significant proportion of cases in the sample tested. The root cause for this issue was that staff had retained responses locally and these responses were consequently not available more widely when individual staff members left or were on leave.

3.3.4 In August 2021 a new case management system went live. This system holds details of all FOI and SAR cases including dates of receipt, allocation to departmental contacts and correspondence sent to the requestor.

3.3.5 We re-tested a sample of 15 cases across both FOI and SAR cases; in all of these cases bar one the relevant correspondence was available on the system. We therefore consider that significant and sufficient progress has been made in order to consider the recommendation implemented. We referred the individual exception back to the Head of Information Management for further reminder. Since then, training has been provided at a Managers' Briefing on the FOI / EIR / SAR process, roles and responsibilities, risk and issues and the expectations of staff.

Data Centre – Priority 1 update

3.3.6 The Director of Housing, Planning, Property and Regeneration (HPP&R), the Assistant Director for Strategic Property and the Assistant Director for IT Services attended the previous Audit Sub Committee meeting in October and updated Members on the ongoing issues with the power supply to the data centre. At that stage, a weekend shutdown was scheduled for 26th – 28th November in order to complete the work.

3.3.7 The shutdown took place as planned and works to replace the switch have been completed. However, this work also identified additional faults within the electrical installation which need to be rectified before full automatic resilience can be guaranteed and the issue properly and fully resolved. The dates for undertaking this work are yet to be confirmed.

3.3.8 As an alternative to the current manned guarding arrangements, the Head of Facilities Management and Capital Projects has initiated and instructed works to provide instant

notification in the event of a power failure. Once in place and successfully tested, the manned guarding arrangements can be removed.

Learning Disabilities – Supported Living Establishments – Priority 1 update

- 3.3.9 The Internal Audit review of Supported Living was finalised in December 2021 and included one Priority 1 recommendation relating to the monitoring of voids (please see paragraph 3.2.22). We undertook follow-up work in January 2022 and ascertained that good progress had been made towards implementation.
- 3.3.10 A voids process has now been implemented, with roles and responsibilities identified and allocated to appropriate staff. We consider this process to be adequate in design. It includes a spreadsheet for monitoring voids which is circulated to relevant staff within Commissioning, Learning Disability Care Management and the Placements & Brokerage Teams. The Central Placements Team, Brokers and Learning Disability Care Managers will work together to identify suitable referrals. There is provision in the process for regular monitoring meetings between relevant services and there are appropriate escalation processes for voids that remain unfulfilled for eight weeks and for where delays within the individual services are contributing to the length of voids.
- 3.3.11 New supported living contracts were implemented on 25 January 2022 which break down the costs between core costs and 1:1 care. This means that the identification of core costs in the event of a void is more straightforward.
- 3.3.12 Although we consider that the new process is robust in design, due to the infancy of the process we were unable at this stage to test the effectiveness of the process in application. We will therefore undertake further follow up in Quarter 2 2022-23 and report back to the next available Audit Sub-Committee.

3.4 Audit Activity (other work)

- 3.4.1 Since the last report to Audit Sub-Committee, we have undertaken additional work to the agreed 2021-22 Plan. This work has largely been in relation to Covid-19 grant schemes but has also included ongoing advisory work in relation to the replacement of the financial system (Oracle Fusion Project) and a review of issues arising from the implementation of a new Early Years Funding System.
- 3.4.2 In addition to the specific work highlighted below, we have continued to attend, and provide relevant updates to, Directorate Senior Leadership Teams, Corporate Leadership Team and Chief Officer Executive.
- 3.4.3 We have also continued to offer advice on an adhoc basis as relevant and requested. In the past month, this has included risk and control advice on the Council's application process for Jubilee decoration funding and a process to clear a backlog of children's services invoices.

Oracle Fusion Project

- 3.4.4 As part of our advisory role, we are continuing to offer advice on risks and controls in the new system as and when requested to do so by the project team.
- 3.4.5 This is a watching brief. We have not attended any meetings of the project board but have attended other meetings and demonstrations of Oracle Fusion arranged by the team. Our advice on risk and controls which we would expect to see in place on specific financial areas such as creditors, debtors and ordering has been welcomed.

3.4.6 We have access to relevant documentation relating to the project and will continue to provide further advice as necessary. Oracle Fusion is due to go live in April 2022.

Early Years Funding System

3.4.7 We reviewed specific issues with the new Early Years Funding System. In essence, these related to erroneous payments made as a result of the new system implementation.

3.4.8 We found that managers had identified the causes of the payment errors and were taking appropriate action to address, including recovery of funds. However, our work highlighted some 'lessons learnt' for similar projects across the Authority. These have been shared with the Chief Executive. Key issues included:

- The extent of the work required to configure and develop the system was not understood at the start of the project and although sufficient resource was committed to the development of the service specification, this did not extend to the implementation phase
- Communication between the service and IT was not effective meaning that sufficient skilled resource was not available when required
- There was insufficient testing and user acceptance prior to 'go live'
- Service controls to ensure accuracy of payments were not robust and too much reliance was placed on the system

3.4.9 Further phases of the Early Years Funding System will not be rolled out until existing issues are fully addressed and resolved.

Additional Restrictions Grant scheme - control advice and pre-payment checks

3.4.10 The Additional Restrictions Grant (ARG) scheme was introduced in December 2020 to enable local authorities to support local businesses impacted by the pandemic. The Council has used the ARG to devise and administer various schemes to support businesses within the Borough.

3.4.11 Following our update to the October 2021 meeting, the following schemes were launched and have recently closed to applicants:

| ARG scheme | Total number of businesses paid so far | Total amount paid so far |
|------------------------|---|--------------------------|
| Start up grant scheme | 14 | £110,500 |
| Business growth scheme | 14 | £299,353 |
| Vacant unit scheme | 4 | £189,823 |
| Cultural scheme | This scheme closed on 31 January. No payments have been made so far but there are 80 applications currently being assessed. | |

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|--|--|

3.4.12 We have continued to use our knowledge and experience gained from the other grant schemes to liaise with the Culture & Regeneration Directorate, advising on risks and controls to mitigate fraudulent payments and prevent and detect instances of error and non-compliance. We have carried out pre-payment checks using the Government's Counter Fraud Function tool 'Spotlight'. If the business is not registered at Companies House or is a sole trader, we have carried out open-source data checks. Under the ARG scheme the Council needs to ensure that all grant payments have been made by 31 March 2022.

3.4.13 There have been no applications under the latest initiatives which we have identified and investigated as fraudulent.

3.4.14 Additional testing will be carried out in the coming months as part of our post payment assurance plan required by the Department for Business, Energy and Industrial Strategy (BEIS) to confirm that there are no instances of fraud, error, or non-compliance which were not discovered during our pre-payment checks. In January 2022 we were one of a few Councils asked by BEIS to provide our observations on their Fraud Risk Assessment template for the Omicron and Re-start grants. This will be distributed soon to all Councils for their use.

Re-start Grant Scheme

3.4.15 On 3 March 2021, the Government announced the introduction of grant support for non-essential retail, hospitality, accommodation, leisure, personal care and gym businesses in England. This was a one-off grant funding scheme in Financial Year 2021-2022 and was administered by business rate billing authorities in England. It was intended to help businesses re-open safely that were predominantly reliant on delivering in-person services.

3.4.16 We worked closely with the Assistant Director of Exchequer Services 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 for verification purposes. We also provided support in real time on issues arising. Further, we 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.

3.4.17 Using NNDR records and profiling businesses who would be eligible under this scheme, we carried out pre-payment checks on their bank accounts and verified their trading status from the Company House records using the National Fraud Initiative application. This enabled the Council to process applications from these businesses promptly when they were received, without needing to wait for the results of bank account and trading status checks. Under this scheme a total of 1460 business were paid, and the total amount paid was £12,336,737.

3.4.18 By scrutinising the payments that we made and who they went to, we helped to reduce the risk of inappropriate payments. Our ongoing work through the National Fraud initiative where we share and match data with other public sector bodies will address any residual risk.

Omicron Retail, Leisure and Hospitality Grant

3.4.19 Using NNDR records and profiling businesses who would be eligible under this scheme, in the past two months we have carried out pre-payment checks on their bank accounts using the National Fraud Initiative application. This has enabled the Council to process applications from these businesses promptly when they are received, without needing to wait for the

results of bank account checks. All applications must be processed, and all grant awards made by 31 March 2022.

3.5 External Quality Assessment

- 3.5.1 Audit Sub-Committee has an important role to oversee the quality and performance of Internal Audit. As such, it receives updates on the outcomes of the Quality Assurance and Improvement Programme, including periodic self-assessments against Public Sector Internal Audit Standards, and monitors the resultant actions plans. One of the key mechanisms that enable Audit Sub-Committee to discharge its oversight role is the External Quality Assessment (EQA).
- 3.5.2 Under the Public Sector Internal Audit Standards, the Internal Audit Service must undergo an External Quality Assessment every five years. The previous EQA took place in March 2016 and therefore the next is now overdue. This is not unusual across the profession with the impact of the pandemic, however it is important that the EQA is now completed as soon as feasible.
- 3.5.3 The PSIAS stipulate that the EQA must be conducted by a qualified, independent assessor from outside the organisation and that it must conclude on conformance with the PSIAS and the Code of Ethics. There is however flexibility around the precise form of the assessment, which can be a validated self-assessment or a full external assessment. It is important that Audit Sub-Committee agree the form, scope and provider of the review in order to maintain the review's independence from the Internal Audit service.
- 3.5.4 The London Audit Group (LAG), which comprises the Heads of Audit and other senior audit staff across London, has set up a peer review assessment scheme. The scheme is voluntary but for those who opt in, LAG allocate the reviews across the Authorities. The principles of the scheme are that:
- EQAs will be on rotation, no authority will EQA each other, nor will there be any actual or perceived conflicts of interest
 - Each Authority wishing to have an EQA will need to carry out a self-assessment and provide supporting evidence to the assessing Authority
 - The self-assessment and the assessment report will be based on CIPFA's template which includes the Public Sector Internal Audit Standards, the Code of Ethics and CIPFA's Local Government Application Note
 - The assessment will include a survey of key stakeholders in the Authority
 - Assessments will be led by qualified and suitably experienced Heads of Internal Audit and/or Audit Managers
 - The scheme is free but does involve resource cost as individual members will need to resource another Borough's assessment
- 3.5.5 London Borough of Bromley has previously opted-in to the scheme, and the 2016 review was provided by LAG. LAG's proposal for 2022 is that the Director of Audit, Fraud, Risk and Insurance (David Hughes) for the shared service London Boroughs of Kensington and Chelsea / Hammersmith and Fulham / City of Westminster undertakes the EQA. In return, we will review the London Borough of Southwark in 2023. David Hughes has no current or former links with London Borough of Bromley and is qualified via CIPFA. He is currently the Chair of London Audit Group. He is available to undertake the review in June or July 2022; the outcomes and action plan can then be reported to Audit Sub-Committee by the end of the calendar year.
- 3.5.6 In my view, the above arrangement represents the best option for delivery of the EQA. At this stage, and in light of my own length of tenure at London Borough of Bromley, the

validated self-assessment is a robust approach as it will, to a large extent, provide objectivity to the process. A full assessment would need to be procured externally as this is not offered by LAG and would be more costly.

3.5.7 An alternative option is to procure the validated self-assessment externally. The advantage to this approach is that it would allow us to select an assessor or body with experience across the wider internal audit profession. However, it is likely to cost in the region of £10,000.

3.5.8 Audit Sub-Committee are therefore requested to discuss and agree the approach set out above that:

- The External Quality Assessment is undertaken by the shared service London Boroughs of Kensington and Chelsea / Hammersmith and Fulham / City of Westminster
- The EQA takes the form of a validated self-assessment
- The scope of the EQA covers compliance with the Public Sector Internal Audit Standards, the Code of Ethics and the Local Government Application Note

3.5.9 The full report, together with the resultant action plan, will be reported to the first available Audit Sub-Committee.

3.6 External Audit Update

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

3.6.1 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.

3.6.2 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.

3.6.3 The external auditor has recently advised that work on the Council's asset valuations and audit generally remains ongoing, with finalisation approaching. It expects to provide an update report to the General Purposes & Licensing Committee (GP&L) scheduled to take place on February 8th. It further advised that it anticipates final sign-off of the audit to be reported to GP&L committee on March 29th.

3.6.4 Work is underway to close the Council's accounts 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:

3.6.5 At the last report to Audit Sub-Committee, the Council had objections outstanding for three years of accounts. For the 2016/17 and 2017/18 objections, KPMG has now concluded its work and decided not to take any further formal audit action.

- 3.6.6 It is now the responsibility of Ernst & Young (EY) to consider the objection received in relation to the 2018/19 accounts, informed by the conclusions that KPMG has made.
- 3.6.7 Whilst the objections remain unresolved, the external audits for the years in question cannot be formally concluded and a completion certificate issued.
- 3.6.8 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

- 3.6.9 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.
- 3.6.10 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.
- 3.6.11 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.

3.7 Fraud Summary

- 3.7.1 **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

- 3.7.2 Members are aware of the activity by the Shared Parking Service to combat the criminal offence of Blue Badge misuse. 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.
- 3.7.3 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.

- 3.7.4 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. Magistrates Courts were finding that their Court lists were becoming clogged up with lower level offences.
- 3.7.5 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'.
- 3.7.6 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.
- 3.7.7 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.
- 3.7.8 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.
- 3.7.9 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

- 3.7.10 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. 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

| | 2019/20 | 2020/21 | April 2021 to Dec 2021 |
|-------|----------------|----------------|-------------------------------|
| Total | 129 | 22 | 51 |

- 3.7.11 The table above shows that there is now a gradual increase in the number of new cases being referred. Clearly though, the number of cases is still far below pre pandemic levels, when confiscation of badges and engagement with drivers was unrestricted. As engagement with drivers has decreased this has meant that the referrals being sent to the Fraud Team relate predominantly to allegations of stolen or expired Blue Badges being displayed or the use of Blue Badges belonging to persons who are deceased.
- 3.7.12 It has been previously reported that there are delays from Her Majesty's Court Service in informing the Council's Legal Services of the outcome of Blue Badge prosecutions submitted via the single justice procedure. The provision of outcome / result data did not improve during lockdown.
- 3.7.13 The lack of new referrals allowed investigators during lockdown to focus on bringing the caseload held at that time to Legal Services for consideration of further action.
- 3.7.14 As a result of the lockdown, Interviews under Caution were only possible during short windows when the tier level allowed. Interviews have resumed, however attendance is far more intermittent and quite often two or three interviews are scheduled before the individual attends for an interview under caution.
- 3.7.15 As of 1st January 2022, there were 15 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. This figure is significantly higher than the four at the last quarter. 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

| | 2019/20 | 2020/21 | April to December 2021 |
|--------------|---------|---------|------------------------|
| Prosecutions | 46 | 57 | 10 |
| Warnings | 30 | 30 | 10 |
| Cautions | | | 2 |
| Total | 76 | 87 | 22 |

- 3.7.16 Members are asked to note that the figures for 2020/21 will include cases for 2019/20 that were delayed as a result of the pandemic.

Joint Working – Department of Work and Pensions (DWP)

- 3.7.17 This is an area severely hit by the Covid-19 pandemic. The DWP had seconded all of their fraud investigation staff to other duties. There has been some indication that DWP officers will be returning to fraud duties. Meanwhile, all referrals are sifted centrally and it transpires that the majority of existing investigations when Covid-19 began were closed by the DWP.
- 3.7.18 As with all joint working cases with the DWP, it is the DWP who are in control of the prosecution process. There are no new joint working cases in action in this current year.

Miscellaneous Cases

- 3.7.19 There have been 25 cases of suspected Council Tax fraud received in the nine month period. Two Council Tax cases resulted in overpayments of CTRS being recorded with a value of over £6,200 to the Authority.
- 3.7.20 There have been 20 cases of suspected subletting or vacating addresses. One case has resulted in the tenancy being recovered by the Registered Social Landlord (RSL) and an initiative to commence some further joint working with the Council's housing provider is being explored.
- 3.7.21 A total of 42 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 CTRS decision can be made. As already mentioned, the effect on DWP investigations during the pandemic have been far reaching and case outcomes are not forthcoming.

National Fraud Initiative (NFI) - Covid-19 Business Grants

- 3.7.22 A significant area of new work is suspected fraud associated with the Covid-19 business grants, in particular the payments associated with the Small Business Grant Fund. In order to receive this grant, the individual / business had to be eligible for a Small Business Rate Relief.
- 3.7.23 The National Fraud Initiative completed its first data matching exercise using data provided by all local authorities in respect of the initial tranche of Covid-19 business support grants awarded by local authorities on behalf of the government. Subsequently, the Cabinet Office has run a further matching exercise, again matching grant payment data from all local authorities from the first three Covid-19 grant schemes. In total some 50 matches were generated via the National Fraud Initiative in relation to Covid-19 grant awards.
- 3.7.24 All of these matches have been fully reviewed and investigated by the Greenwich Fraud Team. In the majority of cases the grants have either been awarded correctly or there is no financial loss within the grant schemes.
- 3.7.25 However, a small number of matches have identified properties occupied elsewhere by the same individual / business that may potentially impact on their eligibility for Small Business Rate Relief (SBRR) either within Bromley Borough or in the matched local authority area.
- 3.7.26 Investigations established that there were eight individuals / businesses where the Small Business Grant Fund payment should not have been awarded; a total sum of £90,000. Recovery has been sought in respect of each individual / business.
- 3.7.27 In addition, there were nine individuals / businesses where it was established that they were not eligible to receive SBRR. This equates to SBRR totalling just over £176,000.
- 3.7.28 We have also recently obtained and uploaded information to the NFI data matching system relating to the grant recipients for:
- Christmas Support Payment (CSP)
 - Local Restrictions Support Grants (LRSG)
 - Closed Business Lockdown Payment (CBLP)
 - Restart Grant (RG)
 - Additional Restrictions Grant (ARG)
- 3.7.29 This data was submitted to meet the government's deadline of 24th January 2022. This exercise should identify potential indicators of fraud to be investigated in relation to:

- multiple grants paid to businesses within or between LAs;
- duplication between grant schemes where relevant; and
- payments made to business or individuals flagged in proven fraud ‘watchlist’ data, where available.

3.7.30 The Fraud Team will review the potential matches when released.

National Fraud Initiative (NFI) – other data sets

- 3.7.31 The review of matches highlighted by the National Fraud Initiative 2020 exercise is mostly complete. We continue to work with operational management to the conclude their investigation of the remaining few data sets.
- 3.7.32 The DWP lack of responses to routine enquiries makes a number of the matches dependant on declarations to the DWP where a “passported” benefit is involved. A list of cases has been provided to the Council’s Exchequer Services Contractor so that they may adjudicate and establish whether there have been any overpayments.
- 3.7.33 The Council Tax and Electoral Register data is required by the NFI annually for single person discount matching. We have obtained the data sets and uploaded these to the NFI secure system by the deadline of 29th January. The Council also does its own separate data matching exercise annually on Single Person Discounts.

Housekeeping

- 3.7.34 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 are currently 58 current investigations open of which 13 are over one year old and under review. At the end of the previous year there were 129 open investigations.

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 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.

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