Report No. FSD23031	**London Borough of Bromley**
	PART ONE - PUBLIC

Decision Maker:	**AUDIT AND RISK MANAGEMENT COMMITTEE**
Date:	**Tuesday 4 July 2023**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**ANNUAL INTERNAL AUDIT REPORT 2022/23**
Contact Officer:	Francesca Chivers, Head of Audit and Assurance E-mail: Francesca.Chivers@bromley.gov.uk
Chief Officer:	Director of Finance
Ward:	(All Wards);

1. <u>Reason for report</u>

This report provides the Head of Audit and Assurance's annual opinion for 2022/23 on the Council's overall systems of risk management, governance and control. This opinion is one of the key independent means of assurance available to Members to enable them to ensure that a sound system of governance is in place and that risks are being effectively managed. It should inform Members' review of the Annual Governance Statement, provided as a separate agenda item. The report includes:

- An overview of the work undertaken to support the opinion

- A summary of the outcomes of the Quality Assurance and Improvement Programme, including the External Quality Assessment

- The Head of Audit and Assurance's overall opinion on systems of risk management, governance and control.

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2. **RECOMMENDATION**

Members are asked to

a) note the report and the Head of Audit and Assurance's opinion for 2022/23 on overall systems of risk management, governance and control

b) Approve the amends to the 2022/23 Internal Audit Plan as set out in paragraph 3.6.2.

Impact on Vulnerable Adults and Children

1.   Summary of Impact: None

Transformation Policy

1.   Policy Status: Not Applicable
2.   Making Bromley Even Better Priority:
     (5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.

Financial

1.   Cost of proposal: Not Applicable:
2.   Ongoing costs: Not Applicable:
3.   Budget head/performance centre: Audit
4.   Total current budget for this head: £568K in 2022/23 including Internal Audit and External Audit, Fraud Partnership, Insurance Management and Claims handling
5.   Source of funding: General Fund

Personnel

1.   Number of staff (current and additional): 6.5 FTE, including 1 FTE Insurance and Risk Manager
2.   If from existing staff resources, number of staff hours: N/A

Legal

1.   Legal Requirement: Statutory Requirement:
2.   Call-in: Not Applicable:

Procurement

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

Property

1.   Summary of Property Implications: None

Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: None

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Impact on the Local Economy

1.   Summary of Local Economy Implications: None

Impact on Health and Wellbeing

1.   Summary of Health and Wellbeing Implications: None

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Customer Impact

1.   Estimated number of users or customers (current and projected): Relevant to all of the Council's stakeholders

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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 Under the Accounts and Audit Regulations 2015, the Council must "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes", taking into account the Public Sector Internal Audit Standards (PSIAS). It is a key requirement of these Standards that the Head of Audit and Assurance provides an overall opinion for each financial year on systems of risk management, governance and control. This opinion is intended to inform Members' review of the Annual Governance Statement (AGS), as it provides a means of independent assurance on the assertions within the AGS.

3.2 The overall opinion is primarily based on the finalised audits from the 2022/23 Internal Audit Plan. However, it also takes into account:

► Follow up of recommendations

► Counter fraud work and other investigations throughout the year

► Ad-hoc advisory work

► Work to support Government grant schemes including risks / controls advice and pre-payment assurance checks for the energy schemes and post-payment assurance checks for various Covid grant schemes

► Our own informal observations of the organisation, for example through attendance at Corporate Leadership Team, Corporate Risk Management Group and other forums.

3.3 I have also chosen to place reliance on one external review in order to support my opinion; the independent review of the Adult Education Service (**Appendix A** page 11).

3.4 The report also contains the outcomes of our Quality Assurance and Improvement Programme (QAIP). Most importantly, the report from the External Quality Assessment of Internal Audit is provided at **Appendix E**. This information is intended to enable Members to discharge their responsibility to oversee the quality and effectiveness of Internal Audit.

3.5 Our ability to remain independent and free from undue influence whilst undertaking our work is critical to our effectiveness, as our assurances are thus fully impartial. As such, I am required by professional standards to annually confirm our independence to Audit and Risk Management Committee. For 2022/23, there have been no impairments or scope restrictions placed on our work.

3.6 Internal Audit Progress

3.6.1 Progress against the original 2022/23 Internal Audit Plan as agreed by Members of Audit and Risk Management Committee in March and November 2022 is set out in **Table 1** below. This table incorporates all pieces of work and associated opinions which form part of the Annual Opinion. Definitions of our assurance opinions are set out in **Appendix B**. All work completed since the last report to Audit and Risk Management Committee in March 2023 is marked with* and summaries of these items are provided in **Appendix A**. Summaries of all other pieces of work can be found in the November 2022 and March 2023 progress reports. Audits that are not yet complete will be reported to a future meeting of this Committee.

3.6.2 We propose to formally defer the following items to the 2023/24 financial year and Members agreement to this is requested:

- Social Care System – Implementation Review – This project had not closed as at the end of the 2022/23 financial year. Formal deferral to 2023/24 will allow us to review the project post-closure, and include any lessons learned in our scope.

- Staff Well-being – The Council is currently developing a wellbeing charter and preparing for Well-being accreditation. Deferral of this audit until the 2023/24 financial year will allow us to assist with preparation for accreditation as a 'critical friend' and also place some reliance on the outcome of the accreditation process, to avoid duplication of effort.

- Assistive Technology – this was a consultancy piece of work on the 2022/23 Plan, however the Department did not require this consultancy during the past financial year, therefore we propose to cancel this audit and re-consider it as part of future audit planning cycles.

- Parking Income – this audit was started in November 2022 but not completed due to staff and auditor availability. The fieldwork has been re-booked with our contractor for July 2023 but the testing will as a result focus on data which includes 2023/24. Consequently, we propose to formally include this audit in the 2023/24 Plan.

3.6.3 Since the last Committee, we have published the following redacted final reports which are available as an 'information briefing' with this agenda.
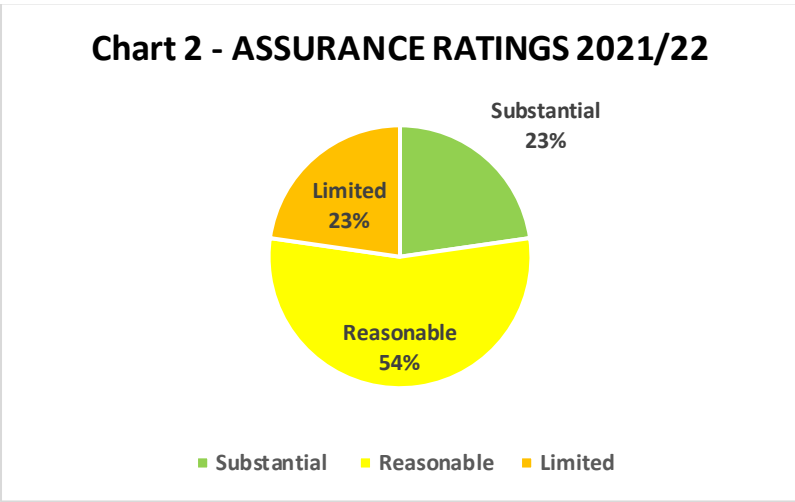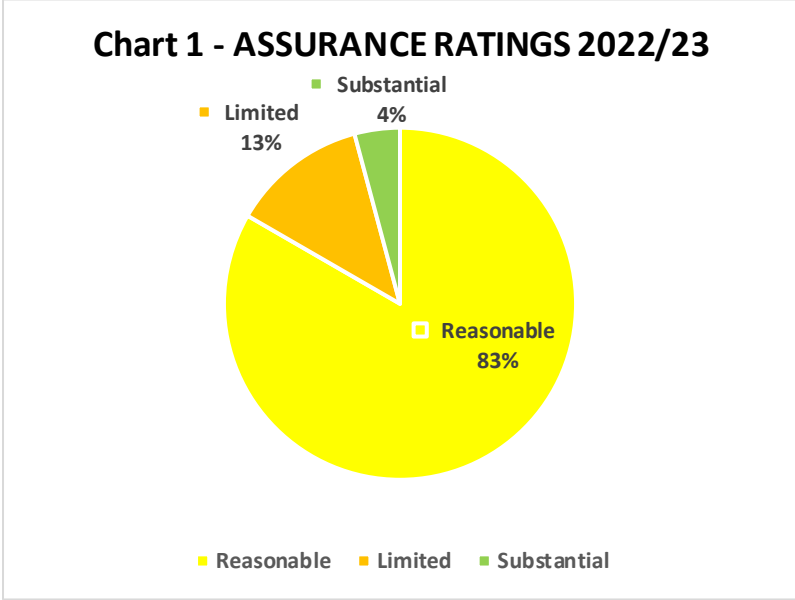
- Sickness Management
- Appraisals
- Placements (Adults' Residential)
- Adult Social Care Referral and Assessment Process
- Complaints
- Revenue Budget Monitoring
- Quality of External Placements – Children's Social Care
- Governance of Partnerships (Housing Schemes)
- Houses of Multiple Occupation Licensing
- Bromley Virtual School

Table 1 - April 2022 – March 2023 Internal Audit Plan	
Audit	Status and Assurance Opinion
Drainage Cleaning (deferred from 2021/22)	Complete – Limited Assurance
Pre-paid Cards – Children's (deferred from 2021/22)	Complete – Reasonable Assurance
Commercial and non-office property (deferred from 2021/22)	Complete – Reasonable Assurance
Assurance Mapping	Planning
Grant assurance work including Supporting Families and Disabled Facilities Grant	Complete
Domestic Abuse	Feedback
Transformation	Feedback
Discretionary Housing Payments	Complete – Reasonable Assurance
Cash and Bank	Complete – Substantial Assurance
Capital Strategy, Planning and Monitoring	Complete – Reasonable Assurance
Sickness Management	Complete – Reasonable Assurance*
Appraisals	Complete – Reasonable Assurance*
Procurement Fraud and Corruption Risk Assessment	Complete - Advisory
Members' Induction	Complete - Advisory

Procurement of IT Services (ongoing consultancy)	Complete - Advisory
Public Health Covid-19 Response – Lessons Learned	Complete – Reasonable Assurance
Placements (Adults' Residential)	Complete – Reasonable Assurance*
Assistive Technology	Proposed to Cancel
Adult Social Care Referral and Assessment Process	Complete – Reasonable Assurance*
Quality Assurance Framework – Adults	Complete - Advisory
Bromley Virtual School	Complete – Reasonable Assurance*
Quality Assurance Framework – Children's	Complete – Reasonable Assurance
Adult Education	Complete – Reliance placed on Peer Review*
Schools Rolling Programme	Edgebury Primary School complete – Reasonable Assurance
Planning Applications	Complete – Reasonable Assurance
Operational Property Review	Complete – Advisory*
Capital Schemes – Project Management (Housing)	Draft Report Issued
Housing Allocations	Complete – Limited Assurance
Highways – Management of Major Works	Fieldwork
Parks and Grounds Maintenance	Complete – Limited Assurance
Net Zero	Complete – Reasonable Assurance
Complaints	Complete – Reasonable Assurance*
Staff Well-being	Proposed to defer to 2023/24
Gifts and Hospitality / Declarations of Interest	Feedback
Revenue Budget Monitoring	Complete – Reasonable Assurance*
Mayor's Charity	Complete – Advisory*
Social Care System – Implementation Review	Proposed to defer
Oracle HR Project (including Payroll)	Complete - Advisory
Discharge to Assess	Fieldwork
Domiciliary Care	Fieldwork
Quality of Placements (External) – Children's Social Care	Complete – Reasonable Assurance*
Governance of Partnerships (Housing Schemes	Complete – Reasonable Assurance*
Housing Options Follow Up	Complete*
Mandatory Houses of Multiple Occupation Licensing	Complete – Reasonable Assurance*
Parking Income	Fieldwork to restart in July 2023

3.7   Internal Audit Outcomes

3.7.1 Our audit opinion this year includes 23 pieces of work that were given a formal assurance opinion. **Chart 1** below shows an overall breakdown of these opinions and **Chart 2** provides a breakdown of the previous year's opinions (2021/22) for comparison.

Chart 1 - ASSURANCE RATINGS 2022/23

- Substantial 4%
- Limited 13%
- Reasonable 83%

Legend: Reasonable · Limited · Substantial

Chart 2 - ASSURANCE RATINGS 2021/22

- Substantial 23%
- Limited 23%
- Reasonable 54%

Legend: Substantial · Reasonable · Limited

3.7.2 Overall in 2022/23, 83% of audits received 'Reasonable' assurance and a further 4% received 'Substantial' assurance (the highest rating). This means that overall, 87% of audits received 'Reasonable' or higher, compared to 77% in 2021/22. This is a solid set of results which indicates that overall, controls are in place to manage the risks reviewed as part of our audits. Whilst the proportion of 'Substantial' audits is lower than in 2021/22, this is not unduly concerning as our Audit Plan in 2022/23 consisted mainly of areas that either had not been audited for some time or had not been audited at all. Half of the audits which received 'Substantial' assurance in 2021/22 had been subject to frequent audit review. Consequently, we would expect control weaknesses identified through earlier reviews to have been addressed and thus residual unacceptable risk to be minimal. Furthermore, the proportion of 'Limited' assurance audits is lower in 2022/23 than in 2021/22.

3.7.3 Both assurance and advisory work this year, together with our own observations of the organisation, has found that governance arrangements are generally adequate and effective. Audits which specifically reviewed governance or strategic decision making including for example 'Governance of Partnerships' (Housing Schemes) and 'Net Zero' received 'Reasonable Assurance'. We have also reviewed governance structures for the Operational Property Repair Programme, which were largely sound in design, and officers adopted all of our suggestions for further enhancement. The 'Public Health Covid-19 Response – Lessons Learned' audit highlighted good cross-Council working as well as good partnership working with external agencies.

3.7.4 **Diagram 1** on page 9 shows how the assurances provided by individual audits map to the organisation's strategic objectives (Ambitions). Some audits appear more than once, where they cut across different Ambitions. The diagram shows that we have provided assurance across the broad range of objectives, including Ambition 1, which in 2021/22 had less coverage.

3.7.5 Core Authority-wide functions and systems such as those related to finance and personnel are essential enablers to deliver the overarching objectives of the Council. All of our audits in these two areas received 'Reasonable' or 'Substantial' assurance. Further, our grant assurance work did not identify any significant issues and we were able to confirm for all grants reviewed that the terms and conditions of the grant had been met. The Council has recognised as part of the Annual Governance Statement that delays to signing off the accounts (2019/20 was signed off in April 2023 and 2020/21, 2021/22 and 2022/23 remain in progress) together with ongoing financial pressures remain significant issues. There are actions in place to address these which are set out further in the Annual Governance Statement, provided as a separate agenda item.

3.7.6 Where we have undertaken assurance work, we have given 'reasonable' opinions in relation to Ambition 1 (Our children thrive and flourish into adulthood) and Ambition 2 (Our adults enjoy fulfilling and success lives). We have also considered the outcomes of other independent reviews (Adult Education and Virtual School) in these areas, which demonstrate that the services welcome opportunities to learn and improve. With regard to Ambition 2, in addition to our assurance work, we undertook an advisory piece on the Adults Quality Assurance Framework (which was in the process of being re-designed and re-launched) and made recommendations to enhance the coverage, process and oversight of this framework. It is important that this framework is progressed as priority in order to ensure continuous improvement and that outcomes, at service and case level, are as desired.

3.7.7 The assurance opinions provided across Ambitions 3 (Our families, business and communities thrive) and Ambition 4 (Our borough is safe, clean and sustainable for the future) are slightly more mixed. Under Ambition 3, whilst most audits were advisory or 'reasonable', we issued one 'Limited' opinion in relation to Housing Allocations. The reason for the 'Limited' opinion was a Priority 1 recommendation around counter fraud controls and this is discussed further in paragraph 3.8.10. We issued two 'Limited' opinions under Ambition 4; both of these related to contract issues and these are discussed further in paragraph 3.8.5.

Risk Management

3.7.8 **Diagram 2** on page 10 maps audit coverage against the Corporate Risk Register (reported as a separate item on this agenda). Our audit work cannot, of course, cover all controls under the listed risks but the mapping highlights where Members may gain some assurance on the management of key risks through our work. We have undertaken specific audits relating to three of the eight 'High' risks and follow up work in relation to a fourth. Coverage is planned for a further three as part of the April – October 2023 Internal Audit Plan as agreed by Members of this Committee in March 2023.

3.7.9 During the 2022/23 financial year, the Corporate Risk Register has been reviewed by Chief Officer Executive and Corporate Leadership team quarterly and there have been several amends as a result (see Risk Management presented as a separate item). Departmental risks are owned by Chief Officers and have been scrutinised by the relevant Policy, Development and Scrutiny Committee. The Risk Management Framework was last reviewed in 2018 and therefore is now overdue an update to ensure that it remains fit for purpose. This will form part of our work plan in 2023/24.
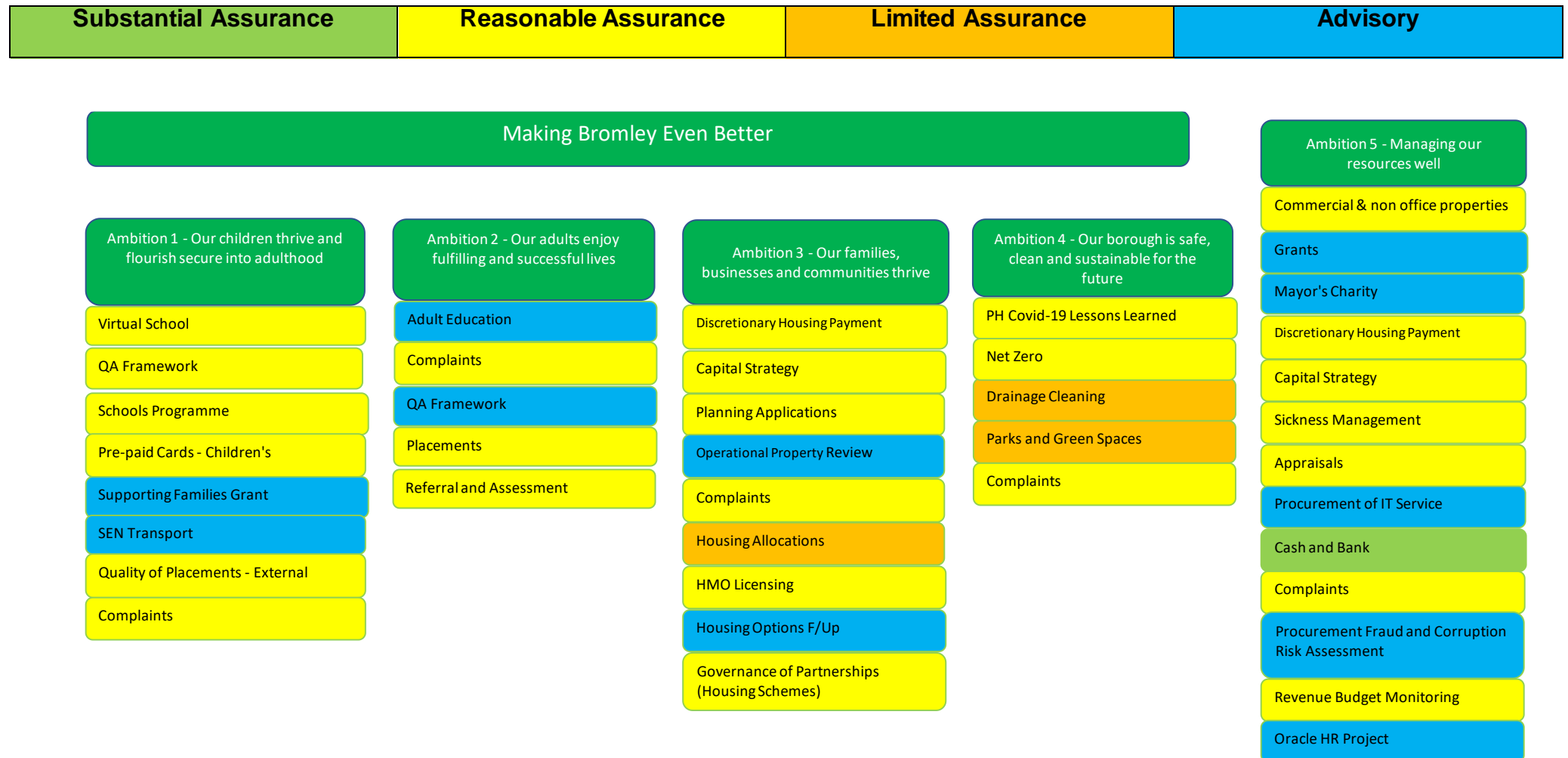
Diagram 1 – Making Bromley Even Better

Key

Substantial Assurance	Reasonable Assurance	Limited Assurance	Advisory

Making Bromley Even Better

Ambition 1 - Our children thrive and flourish secure into adulthood
- Virtual School
- QA Framework
- Schools Programme
- Pre-paid Cards - Children's
- Supporting Families Grant
- SEN Transport
- Quality of Placements - External
- Complaints

Ambition 2 - Our adults enjoy fulfilling and successful lives
- Adult Education
- Complaints
- QA Framework
- Placements
- Referral and Assessment

Ambition 3 - Our families, businesses and communities thrive
- Discretionary Housing Payment
- Capital Strategy
- Planning Applications
- Operational Property Review
- Complaints
- Housing Allocations
- HMO Licensing
- Housing Options F/Up
- Governance of Partnerships (Housing Schemes)

Ambition 4 - Our borough is safe, clean and sustainable for the future
- PH Covid-19 Lessons Learned
- Net Zero
- Drainage Cleaning
- Parks and Green Spaces
- Complaints

Ambition 5 - Managing our resources well
- Commercial & non office properties
- Grants
- Mayor's Charity
- Discretionary Housing Payment
- Capital Strategy
- Sickness Management
- Appraisals
- Procurement of IT Service
- Cash and Bank
- Complaints
- Procurement Fraud and Corruption Risk Assessment
- Revenue Budget Monitoring
- Oracle HR Project

Diagram 2 – Corporate Risk Register

Risk	Current Net Rating	Audit Coverage 2022/23	Audit Outcomes 2022/23
Failure to deliver a sustainable financial strategy	20 (High)	Transformation Capital Strategy Revenue Budget Monitoring	Feedback Reasonable Assurance Reasonable Assurance
Ineffective governance and management of contracts	8 (Medium)	Procurement Fraud Risk Assessment Highways Major Projects Parks and Green Spaces Drainage Cleaning	Advisory - No significant issues identified Fieldwork Limited Assurance Limited Assurance
Failure to maintain and develop IT information systems	8 (Medium)	Procurement of IT Service	Advisory - No significant issues identified
Cyber Attack and failure to comply with GDPR	15 (High)	Audits of GDPR and of Cyber Security undertaken in 2021/22 followed up in 2022/23	GDPR – P1 Recommendation Closed Cyber Security – P1 recommendation closed
Failure to maintain robust BC and EP arrangements	8 (Medium)	As part of every contract review, we consider supplier BC arrangements	No significant issues identified to date
Failure to deliver effective Children's Services	10 (Significant)	Quality Assurance Framework Virtual School Bromley Quality of External Placements	Reasonable Assurance Reasonable Assurance Reasonable Assurance
Temporary Accommodation	16 (High)	Housing Options Follow Up HMO Licensing Governance of Partnerships (Housing Schemes)	Complete Reasonable Assurance Reasonable Assurance
Failure to deliver Transforming Bromley	15 (High)	Transformation	Feedback
Climate Change	8 (Medium)	Net Zero	Reasonable Assurance
Health and Safety (Fire and First Aid)	15 (High)	*None – Health and Safety audit in 2023/24*	NA
Homes for Ukraine and other Refugee programmes	16 (High)	Advisory work as required. Homes for Ukraine audit in 2023/24	No significant issues identified to date
Capital Financing Shortfall	12 (Significant)	Capital Strategy Housing Capital Schemes	Reasonable Assurance Draft Report Issued
Operational Property Repair (2 x risks – Budget and Building Failure)	12 (Significant)	Operational Property Review	Advisory - No significant issues identified
Recruitment and Retention	16 (High)	*None – Audit in 2023/24*	NA
Move to Direct Line Building	16 (High)	*None – Risk added in 2023/24 financial year*	NA

3.8 Recommendations Raised and Themes Emerging

3.8.1 In total, we raised 112 recommendations across our audits (excluding advisory work) in 2022/23. Relevant managers agreed actions in response to all of these. Analysis of the recommendations we raised and their root causes has highlighted the following themes:

Policies and Procedures

3.8.2 As in 2021/22, we continued to raise recommendations for creating or updating policies and procedures. Whilst audit clients can often see this as simple 'housekeeping', reviewing policies to ensure they remain fit for purpose is particularly important in light of the significant internal and external changes and events that have taken place since 2020. Some policies had not been reviewed since pre-pandemic and consequently, either did not contain sufficient controls for current working practices or contained controls and processes that were redundant or no longer appropriate.

3.8.3 Ensuring that policies and procedures keep pace with developments will remain important as the Council continues its drive towards digitalisation in preparation for the office move. Rapid digitalisation and associated process changes may increase the risk that control design is not given sufficient attention. Reviewing policies and procedures also provides opportunities for process efficiencies and improvements.

Procurement and Contract Management

3.8.4 We have not raised any significant issues relating to Procurement this year and there is a strong Procurement function within the Council which undertakes pro-active work to encourage and ensure compliance with relevant legislation. We have found when undertaking contract management audits that contract management structures are in place with meetings held at an appropriate frequency.

3.8.5 However, we have also issued two 'Limited' assurance audits and four 'Priority 1' recommendations with regard to contract management. These have covered the performance frameworks in place, availability of documentation to support contractual decisions and lack of clarity around the client monitoring function. The Assistant Director – Governance and Contracts is currently re-writing the commissioning training for officers to include sufficient focus on contract management, which should assist contract owners to effectively manage their contracts. However, it is also emerging that contract management is to an extent becoming more complex as suppliers are faced with pressures resulting from the current economic climate, including resourcing difficulties and inflation. As a Commissioning Authority, the Council will need to ensure it is prepared for the risks and issues arising from these pressures.

Information Governance and Information Systems

3.8.6 We worked alongside officers to provide advice and support during the re-procurement of the IT service and we found the process and oversight to be robust. During the 2022/23 financial year, we also closed as implemented three Priority 1 recommendations from previous years relating to IT or Information Governance.

3.8.7 Discussions with staff throughout the organisation and observation of working practices has highlighted that some operational pressures have been exacerbated by aspects of new information systems not working as intended. For example, there have been residual issues with the Social Care System, including the finance module, and the budget monitoring system was not available to budget managers in the 2022/23 financial year. It will be important that the Council undertakes 'lessons learned' exercises for these key systems to ensure that any learning can be applied to future system roll-outs.

Reconciliations

3.8.8 As in 2021/22, we raised recommendations to ensure that reconciliations take place to compare actual to expected, or to ensure that information held on different systems aligns. Reconciliations are an important control measure to identify and investigate any potential fraud or to identify and correct errors. For example, during one of our audits we found a batch of payments that had not been made as instructed. Whilst the original error was made by a contractor, it had not been identified by Council officers as there was no process of reconciliation in place.

Training

3.8.9 The Council has a good internal training offer, covering core areas for both staff and managers. The Council has also identified, and publicises, training that is mandatory for staff and for managers. However, a key theme from our work this year has been low levels of compliance with mandatory staff training. The Council should therefore consider how compliance can best be improved for this type of training.

Counter Fraud and Corruption Controls

3.8.10 We have raised two Priority 1 recommendations to strengthen counter fraud arrangements, plus other Priority 2 and 3 recommendations. In the main, these seem to result from insufficient awareness of fraud risks. Whilst service managers are responsible for managing fraud risks within their services, we recognise that Audit and Assurance has an important role to play in promoting fraud awareness. We have undertaken some fraud awareness in 2022/23 and are developing this further in 2023/24. Fraud risks are always heightened during economic downturns and so the ability of staff to prevent and detect fraud is even more important in the current climate.

Quality Assurance

3.8.11 As in 2021/22, we have made recommendations to implement or improve quality assurance arrangements. These are important to drive continual improvement and ensure that areas of weakness are addressed, as well as good practice highlighted and shared. A common theme across recommendations is ensuring that where deficiencies or learning points are identified, that there is sufficient governance, oversight, accountability and traction to ensure that these are progressed through to closure, or an acceptable level of improvement.

3.8.12 Similarly, mechanisms to assure on the quality and accuracy of data were not consistently in place, which meant that data reviewed was not always accurate or up to date. In some instances, this was because information was held on contractor or partner systems and not readily available or reconciled to LBB systems (please also see paragraph 3.8.8).

Staff and Resources

3.8.13 Staff / managers cited lack of resources as a root cause for some issues that we raised during our work. We note that 'Recruitment and Retention' has been identified as a risk on several Departmental Risk Registers and has also now been added to the Corporate Risk Register with a net 'High' score. Ensuring that systems support efficient working (see paragraph 3.8.7) will assist with pressures on staff time, as will progressing digital ways of working and ensuring that processes are fit for purpose (see paragraphs 3.8.2 and 3.8.3). However, it will also be important that the Council progresses with its planned well-being agenda to ensure that staff feel fully supported at work.

3.9 Follow-up of Recommendations Raised

3.9.1   In 2022/23 we introduced a programme of follow up for all recommendations raised (our focus in previous years was Priority 1 recommendations only). Follow up work, monitoring and reporting are proportionate to the level of risk and we undertake more follow-up testing for higher risk recommendations. Priority 1 recommendations are attached due significance from Senior Managers, with quarterly updates presented to Chief Officer Executive and Corporate Leadership Team.

3.9.2   Consequently, the majority of Priority 1 recommendations have been progressed in a timely manner with risks accordingly reduced. Within the 2022/23 year, we raised six Priority 1 recommendations and we have already closed three of these. Progress has been made against the remaining three. One Priority 1 recommendation (data centre) remains open from the 2020/21 financial year but, as we have now closed the SEN and Cyber Security P1 recommendations, there are no other Priority 1 recommendations outstanding from previous years. The full list of Priority 1 recommendations that were open as at the previous Audit and Risk Management Committee and their current status / progress is shown in **Appendices C and F**.

3.9.3   **Appendix D** provides a summary status of all the Priority 2 and 3 recommendations that were due to be followed up in Quarters 3 and 4 of the 2022/23 financial year. In total, 79% of recommendations due have been implemented. For reference, although there is no KPI for implementation of audit recommendations in 2022/23, the Council's target for the 2023/24 financial year that we have agreed with Members is 80%, so the current result is broadly as desired.

3.10 Counter Fraud and Investigations

3.10.1 Internal Audit works in partnership with the Royal Borough of Greenwich in respect of Counter Fraud Investigations. A detailed summary of referrals made and work undertaken in 2022/23 is provided in the Fraud Progress report as a separate agenda item. There were no reported cases of internal fraud and no staff whistleblowing. Three members of the public contacted Internal Audit directly with concerns, two of which related to procurement decisions. We reviewed both of these cases and found no impropriety or other significant issues. The third complainant did not provide sufficient detail for us to investigate, and did not respond to further requests for information, consequently this was closed as 'no further action'.

3.10.2 Pro active counter fraud work (please see the Fraud Progress report for further information) on Small Business Rate Relief has identified several businesses in receipt of this relief that may not be eligible. The investigators' review of these cases highlighted that controls in place to identify incorrect reliefs applied were neither adequate nor effective. Further, the review found that some information provided to the Council's contractor had not been actioned, resulting in relief continuing beyond entitlement. The Council's Contract Manager has put additional monitoring and quality assurance checks in place to prevent re-occurrence.

3.11 Advisory Work including Government grant schemes

3.11.1 As in 2021/22, much of our additional advisory work in 2022/23 was related to Government grant schemes although the bulk of the work was related to the Council Tax Energy Rebate rather than Covid schemes. We undertook bank account verification checks via the Government's designated Counter Fraud tool (Spotlight) for eligible households who did not pay Council Tax by Direct Debit and processed approximately 17, 000 checks across the mandatory and discretionary elements of the scheme.

3.11.2 London Borough of Bromley was required by the Department of Business, Energy, Industry and Skills (BEIS) to undertake post-payment assurance checks across the various Covid grant

schemes. As reported to the March 2023 Audit and Risk Management Committee, in conjunction with the Revenues and Benefits Manager and their team, we reviewed over 40 businesses across seven different grant schemes. We did not find any indication of fraud or error within the sample. However, our work on SBRR (paragraph 3.10.2) has identified a few businesses who may have incorrectly received the Covid Small Business Grant (because they were not entitled to SBRR on which eligibility for this grant was based) and, where this is proved to be the case, the Council will seek repayment of the grant.

3.11.3 Throughout the year, Internal Audit has provided advice on an ad-hoc basis as requested, including in relation to Homes for Ukraine, grant application processes and specific controls within the new finance system. Officers have accepted our advice and there are no significant unmitigated risks arising from our ad hoc work that would impact on the annual opinion.

3.12 Head of Audit – Annual Opinion

3.12.1 Taking into account the information presented in this report, my overall opinion for the 2022-23 financial year is that there is "**Reasonable**" assurance over systems of risk management, governance and control. The scale of opinions is provided in **Appendix B** where "Reasonable" is defined as "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."

3.13 Public Sector Internal Audit Standards (PSIAS) and Quality Assurance

3.13.1 Audit and Risk Management Committee has an important oversight role in the quality and effectiveness of Internal Audit. Members of the Committee must assure themselves that Internal Audit makes a valuable contribution to the organisation's governance and that stakeholders can place reliance on its conclusions.

3.13.2 To facilitate this quality oversight role, Internal Audit is required by professional standards to maintain a Quality Assurance and Improvement Programme, containing a mixture of mechanisms to assess its quality, achievement of objectives and compliance with professional standards. These arrangements consist of an annual self-assessment of the service against professional standards, key performance indicators, client satisfaction questionnaires and an external assessment (EQA) at least once every five years by a suitably qualified, independent assessor. In March 2022, Audit Sub Committee agreed that the EQA in 2022/23 would be undertaken through the London Audit Group, as a peer review.

3.13.3 The EQA has now taken place and the full report is attached at **Appendix E**. Overall, the assessor concluded that the service is 'generally conformant' with 103 areas and 'partially conformant' with 20. This does demonstrate an upward direction of travel since the position reported in June 2022, when I assessed that the service was 'generally conformant' with 90 areas and 'partially conformant' with 33. However, as a result of the areas of partial conformance, we are still 'partially conformant' with the Standards overall.

3.13.4 A key theme for further improvement is the need for structured and effective processes for skills development as this will enhance conformance with eight of the standards that we are currently only partially conforming with. This work is underway as we have completed a skills assessment against professional competencies and identified training required, with some of this training delivered internally or dates arranged. However, we need to ensure that development needs identified as a priority are met in a timely manner and that there is an ongoing cycle of continued professional development for all staff.

3.13.5 A further three standards where we are 'partially conformant' relate to the independence of internal audit within the organisation. On balance, I do not consider these to be materially detrimental to our independence overall for 2022/23, as they are related to improving safeguards for Internal Audit rather than identifying issues that have occurred in the year. For

example, the reference within the Head of Audit and Assurance's job description to updating financial regulations needs to be removed but in practice, this responsibility had already transferred away from Internal Audit. Nonetheless, in conjunction with the Director of Finance, we will address these areas as they remain important.

3.13.6   Other areas relate to clarification on disparate parts of the internal audit process, which can largely be achieved through revising and updating our procedures. This work is already underway and will be complete by the end of August 2023.

3.13.7   The full EQA report at **Appendix E** provides the summary assessment listed by individual criteria (pages 8-18), a progress update on the action plan first developed in June 2022 following our original self-assessment (pages 21-24) and our responses to the additional recommendations made by the assessor (pages 25-26). The only recommendation that we have been unable to implement is moving preparation of the Annual Governance Statement away from Audit and Assurance. However, we will keep this responsibility under review and Internal Audit is only responsible for the co-ordination and not the content of the Annual Governance Statement. Individual sections of the AGS are prepared by the most appropriate manager within the Council.

3.13.8   We will continue to report progress against the action plan periodically to this Committee until the actions are closed.

3.13.9   We routinely issue client satisfaction questionnaires at the end of every audit, however we have only received three responses in the past financial year. Whilst these responses provided positive feedback and did not highlight any areas for concern, the small return rate is not sufficient for us to gauge the value added by our work or to identify any process improvements.

3.13.10 However, as part of the EQA process, the assessor sent a survey to all of Corporate Leadership Team and received 19 responses. The assessor also interviewed three members of Chief Officer Executive. The quantitative survey responses are shown in the chart on page 20 of the EQA Report (**Appendix E**). These were mostly positive, with the majority of colleagues responding that they "fully" or "generally" agreed with each of the statements. Three statements received a higher proportion of 'partially agree' than the others (16%) and these related to the quality of recommendations made by Internal Audit and the potential to provide greater insight in order to add more value. Some further comments made by CLT related to sharing knowledge of learning and best practice across the Council and also a desire for Internal Audit to become involved in risky projects at an earlier stage. We will review all of the comments and feedback as a team to consider how we can incorporate these into our working practices going forwards.

3.13.11 Key Performance Indicators (KPIs) for the Internal Audit Service are shown in **Table 2** below. Members are asked to note that although the Committee agreed new KPIs for the service in March 2023, these new KPIs apply from the 2023/24 financial year and therefore for 2022/23 we are still reporting against the previous KPIs.

3.13.12 The KPI out-turns for 2022/23 show that overall, managers have accepted internal audit recommendations and that we have followed up all of the Priority 1 recommendations that have fallen due in the time period. The percentage completion of the Plan is just at target. We are currently considering as a team how we can work more efficiently to improve completion in 2023/24.

Table 2 – Key Performance Indicators

Description	Target	Out-turn for 2022/23

Percentage of audit plan delivered*	90%	90.82%
Percentage of P1/P2 & P3 recommendations accepted at final report stage	95%	100%
Percentage of P1 recommendations followed up	100%	100%
Completion of Internal Audit Annual Report and Opinion	By July Audit and Risk Management Committee	Achieved
Completion of Internal Audit Plan for Audit Sub Committee Approval	By March Audit and Risk Management Committee	Achieved

* This is the number of audit days completed by the publication of Committee papers as a percentage of planned days (adjusted for those where we have requested formal deferral / cancellation in paragraph 3.6.2).

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

Some of the findings identified in audit reports will have implications for both adults and children in respect of audits that have been undertaken in both Adult and Children's Services.

5. TRANSFORMATION/POLICY IMPLICATIONS

Some of the findings identified in the audit reports may have policy implications.

6. FINANCIAL IMPLICATIONS

Some of the findings identified in the audit reports may have financial implications.

7. LEGAL IMPLICATIONS

Under the Accounts and Audit Regulations 2015, the Council is required to maintain an effective internal audit function to provide assurance on the effectiveness of risk management, control and governance processes, taking into account public sector internal auditing standards and guidance. The Annual Opinion is a requirement of these standards.

8. PROCUREMENT IMPLICATIONS

Some of the findings identified in the audit reports may have procurement implications.

Non-Applicable Headings:	Personnel Implications Property Implications Customer Impact Carbon Reduction / Social Value Implications Impact on the Local Economy Impact on Health and Wellbeing Ward Councillor Views.
Background Documents: (Access via Contact Officer)	None