



**REDACTED INTERNAL AUDIT REPORT**

**GIFTS & HOSPITALITY AND DECLARATIONS OF INTEREST**

**AUDIT REFERENCE: AW/08/2022**

11 September 2023

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|-----------------|-----------------------------|
| <b>Auditor</b>  | Trainee Auditor             |
| <b>Reviewer</b> | Head of Audit and Assurance |

**Distribution list**

|                                       |
|---------------------------------------|
| Director of HR & Customer Services    |
| Director of Corporate Services        |
| Head of HR Business, Systems & Reward |
| Senior HR Officer                     |
| Democratic Services Manager           |

## Executive Summary

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| <b>Audit Objective</b> | The objective of this audit was to review the adequacy and effectiveness of the Council's arrangements for the declaration of interests and gifts and hospitality by Members, officers and agency workers. |
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| Assurance Level             |  | Findings by Priority Rating |                   |                   |
|-----------------------------|--|-----------------------------|-------------------|-------------------|
| <b>Reasonable Assurance</b> | There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required. | <b>Priority 1</b>           | <b>Priority 2</b> | <b>Priority 3</b> |
|                             |  | 0                           | 3                 | 0                 |

| Key Findings   |
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| <p>1. We found that the following controls are in place and working well:</p> <ul style="list-style-type: none"> <li>• A data matching exercise conducted as part of the mandatory National Fraud Initiative (NFI) between Payroll, Companies House and the Council's Creditors data did not highlight any significant issues or conflicts. Minor clarifications have now been resolved.</li> <li>• The Code of Conduct for Members, last reviewed in October 2020, is comprehensive and in line with the current procedures followed by the Council. We found that Members regularly declare their interest and update changes on the Bromley website.</li> <li>• A clause on Gifts or Gratuities is included in the contracts of employment for all staff and Register of Officers' Interests for staff whose post requires it. The Gifts or Gratuities clause briefly instructs staff of their responsibilities on accepting gifts and gratuities and also directs them to the documented Code of Conduct.</li> </ul> <p>Management should consider the key findings summarised below:</p> <ol style="list-style-type: none"> <li>1. <b>Employees' Declaration of Interest</b> (Priority 2) – There was no evidence for approximately 25% of relevant staff that they had completed a Declaration of Interest. <b>See Recommendation 1.</b></li> <li>2. <b>Agency staff Declaration of Interest by</b> (Priority 2) – Sample testing highlighted that Agency staff declarations had not been fully completed or appropriately counter signed. <b>See Recommendation 2.</b></li> </ol> |

3. **Gifts and Hospitality (Officers)** (Priority 2) – The Council’s Gifts and Hospitality Code of Conduct policy for officers was last updated in 2013. Review of arrangements across the Council highlighted inconsistencies in understanding and practice. **See Recommendation 3.**

Management has agreed actions for all findings raised in this report. **Please see Appendix A.**

*Definitions of our assurance opinions and priority ratings are in **Appendix B.***

*The scope of our audit is set out in **Appendix C.***

## Appendix A - Management Action Plan

### 1. Employees' Declarations of Interest

#### Finding

We analysed a report of LBB employees whose post requires a declaration of interest and the date that they last completed this. The report was run on 5 April 2023 and provided information on declarations of interest completed on the HR system from 1 April 2019 to the date of the report. Out of 913 employees whose post requires a declaration of interest (DOI), we noted that:

- 429 employees had not completed a declaration of interest in the 2022/23 financial year, i.e. in the last one year (the current policy does not define how frequently declarations of interest should be completed)
- 205 of these 429 employees had completed a DOI between 1 April 2019 and 31 March 2021.
- 224 staff had not completed a DOI.

We have passed the list of exceptions to the Head of HR, Business Systems and Reward.

Although these numbers are significant, on balance we consider this to be currently medium risk because the NFI data matching has not highlighted any significant impacts. However, this issue does have the potential to be high risk.

The Council's Register of Officers Interest guidance was last reviewed in October 2014. We noted that:

- The information in "Section F. Method of Disclosure" no longer reflects current practice
- There is no reference to how frequently Employee Declarations of Interest should be completed.

#### Risk

Increased risk of fraud and corruption due to abuse of position in procurement of goods and services.

Conflicts of interest which are not properly managed may lead to poor decision-making, failure to achieve value for money and non-compliance with legislation.

Reputational damage to the Council.

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| <p><b><u>Recommendation</u></b></p> <p>Review and update the Register of Officers Interest guidance and ensure that this stipulates the frequency that declarations of interest should be completed (for best practice, we suggest annually).</p> <p>HR should regularly remind all employees whose post requires a DOI to complete it as soon as there is a change in their interest or at the required frequency even if there are no changes in personal interests, to ensure that the Council has the most up to date information.</p> <p>HR should run an exception report once a year to identify employees who have not completed a DOI within the desired time period and Directors should ensure that outstanding declarations are completed.</p> | <p><b><u>Rating</u></b></p> <p style="text-align: center;"><b>Priority 2</b></p> |
| <p><b><u>Management Response and Accountable Manager</u></b></p> <p>Agreed.</p> <p>Accountable Manager – Head of HR Business, Systems and Reward</p>   | <p><b><u>Agreed timescale</u></b></p> <p>31 January 2024</p>                     |

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| <p><b>2. Agency staff Declarations of Interest</b></p>   |  |
| <p><b><u>Finding</u></b></p> <p>From the list of 138 agency staff whose post requires a declaration of interest, we randomly selected a sample of 9 staff. We noted that:</p> <ul style="list-style-type: none"> <li>• Four agency workers had not submitted a DOI in the last year. One worker had never submitted a DOI and the remaining three were dated in 2021</li> <li>• Only one of eight DOIs had been countersigned by a line manager as required on the final page of the document</li> <li>• No DOIs had been signed as received by a designated Council employee (as required on the first and final pages of the document)</li> <li>• Three DOIs were only part-signed or signed incorrectly by the agency worker.</li> </ul> <p>The Declaration of Interest form for agency workers was last reviewed in 2012.</p> <p>We have provided these exceptions to the Head of HR Business, Systems and Reward.</p> |  |

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| <b><u>Risk</u></b>   |   |
| <p>Inability to verify if the agency has done adequate due diligence in checking the DOI of agency staff.<br/> Conflicts of interest which are not properly managed may lead to poor decision-making, failure to achieve value for money and non-compliance with legislation.<br/> Increased risk of fraud and corruption due to abuse of position.<br/> Reputational damage to the Council.</p>   |   |
| <b><u>Recommendation</u></b>   | <b><u>Rating</u></b>  |
| <p>Review the Declaration of Interests form and the authorisation process for agency workers to ensure that these remain fit for purpose.</p> <p>HR should regularly remind all agency staff and their line managers whose post requires a DOI to complete it as soon as there is a change in their interest or at the required frequency even if there are no changes in personal interests, to ensure that the Council has the most up to date information.</p> <p>Investigate if any quality assurance or exception reporting can be undertaken to ensure that the forms are completed as required.</p> | <div style="border: 1px solid black; background-color: yellow; padding: 5px; display: inline-block;">Priority 2</div> |
| <b><u>Management Response and Accountable Manager</u></b>  | <b><u>Agreed timescale</u></b>  |
| <p>Agreed.</p> <p>Accountable Manager – Head of HR Business, Systems and Reward</p>  |   |

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| <b>3. Gifts and Hospitality Policy - Officers</b>   |
| <b><u>Finding</u></b>   |
| <p>The Gifts and Hospitality Code of Conduct policy for officers was last reviewed in December 2013. We noted that:</p> <ul style="list-style-type: none"> <li>• It does not incorporate procedures currently adopted by the Council for declaring and documenting gifts and hospitality offered to staff</li> <li>• It is not clear if the current policy is applicable to agency workers</li> <li>• It does not refer to the Bribery Act 2010.</li> </ul> |

Overall, our review of arrangements within individual departments highlighted that there is inconsistency in understanding and application of the policy and procedures to declare gifts and hospitality. Specifically,

- There is no set process followed by the departments to remind staff of the code of conduct on accepting gifts and hospitality. Where some departments had sent out infrequent reminder emails, others had not sent out any reminders to their staff.
- We were not provided with gifts and hospitality registers for all departments and consequently these may not exist.
- There is no set process followed by departments for recording and maintaining the gifts and hospitality register. Some registers were incomplete or filled incorrectly.

We have discussed this issue with the Director of Human Resources, Customer Services and Public Affairs, who has consequently allocated resource to update the policy.

**Risk**

Outdated policies can leave the Council at risk of non-compliance with legislation and regulations.  
 Acceptance of personal inducements and bribery.  
 Breaches of the Code of Conduct, if not identified, could lead to adverse publicity and reputational risk.

**Recommendation**

The Gifts and Hospitality Code of Conduct policy for officers should be reviewed, updated and relaunched to all officers. The policy should include reference to the Bribery Act 2010 and state that it applies to all staff, including agency workers.

**Rating**

Priority 2

**Management Response and Accountable Manager**

Agreed.

Accountable Manager – Head of HR Business, Systems and Reward / Director of HR, Customer Services and Public Affairs

**Agreed timescale**

31 January 2024

## Appendix B - Assurance and Priority Ratings

### Assurance Levels

| Assurance Level              | Definition   |
|------------------------------|--|
| <b>Substantial Assurance</b> | There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.  |
| <b>Reasonable Assurance</b>  | There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.   |
| <b>Limited Assurance</b>     | There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.                  |
| <b>No Assurance</b>          | There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified. |

### Action Priority Ratings

| Risk rating       | Definition  |
|-------------------|---|
| <b>Priority 1</b> | A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently. |
| <b>Priority 2</b> | A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.                                   |
| <b>Priority 3</b> | A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.   |



**Appendix C – Audit Scope**

| <b>Audit Scope</b>  |
|---|
| <p>We reviewed the adequacy and effectiveness of controls over the following risks:</p> <ul style="list-style-type: none"><li>• Conflicts of interest which are not properly managed may lead to poor decision-making, failure to achieve value for money and non-compliance with legislation</li><li>• Gifts and hospitality which are inappropriately accepted may lead to perceived or actual conflicts of interest, both of which may damage the Council's reputation</li><li>• Increased risk of fraud and corruption due to abuse of position</li></ul> <p>The review focussed on the following elements:</p> <ul style="list-style-type: none"><li>• policies in place for gifts and hospitality and declaration of interest.</li><li>• adequacy of arrangements in place for gifts and hospitality and declaration of interest for staff, agency workers and members.</li></ul> <p>Our audit testing was largely focused on the financial year 2022/23 but for Declarations of Interest, we also reviewed available information from previous financial years. Our audit included a review of relevant documentation and sample testing of members, staff and agency workers for declaration of interest, gifts and hospitality received. This included a review of declarations of interest against information publicly available at Companies House. We also interviewed key officers including the Democratic Services Manager, Head of HR Business, Systems &amp; Reward and staff involved in maintaining the gifts and hospitality register.</p> |