

# Audit & Standards Committee

Date: **28 June 2022**

Time: **4.00pm**

Venue: **Council Chamber, Hove Town Hall**

Members: Councillors Wilkinson (Chair), Hugh-Jones (Group Spokesperson), Peltzer Dunn (Group Spokesperson), Atkinson, Meadows, Shanks, West and Yates

**Independent Members:** Helen Aston and David Bradly

Contact: **John Peel**  
Democratic Services Officer  
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Date of Publication - Monday, 20 June 2022

# AGENDA

Part One

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## 1 PROCEDURAL BUSINESS

- (a) **Declarations of Substitutes:** Where councillors are unable to attend a meeting, a substitute Member from the same political group may attend, speak and vote in their place for that meeting.
- (b) **Declarations of Interest:**
  - (a) Disclosable pecuniary interests;
  - (b) Any other interests required to be registered under the local code;
  - (c) Any other general interest as a result of which a decision on the matter might reasonably be regarded as affecting you or a partner more than a majority of other people or businesses in the ward/s affected by the decision.

In each case, you need to declare

- (i) the item on the agenda the interest relates to;
- (ii) the nature of the interest; and
- (iii) whether it is a disclosable pecuniary interest or some other interest.

If unsure, Members should seek advice from the committee lawyer or administrator preferably before the meeting.

- (c) **Exclusion of Press and Public:** To consider whether, in view of the nature of the business to be transacted or the nature of the proceedings, the press and public should be excluded from the meeting when any of the following items are under consideration.

*Note: Any item appearing in Part Two of the agenda states in its heading the category under which the information disclosed in the report is exempt from disclosure and therefore not available to the press and public. A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls and on-line in the Constitution at part 7.1.*

## 2 MINUTES

7 - 14

To consider the minutes of the meeting held on 19 April 2022.

Contact Officer: John Peel

Tel: 01273 291058

## 3 CHAIR'S COMMUNICATIONS

#### 4 CALL OVER

- (a) Items 7 – 12 will be read out at the meeting and Members invited to reserve the items for consideration.
- (b) Those items not reserved will be taken as having been received and the reports' recommendations agreed.

#### 5 PUBLIC INVOLVEMENT

To consider the following matters raised by members of the public:

- (a) **Petitions:** to receive any petitions presented to the full council or at the meeting itself;
- (b) **Written Questions:** to receive any questions submitted by the due date of 12 noon on the 22 June 2022;
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 22 June 2022.

#### 6 MEMBER INVOLVEMENT

To consider the following matters raised by councillors:

- (a) **Petitions:** to receive any petitions submitted to the full Council or at the meeting itself;
- (b) **Written Questions:** to consider any written questions;
- (c) **Letters:** to consider any letters;
- (d) **Notices of Motion:** to consider any Notices of Motion referred from Council or submitted directly to the Committee.

#### 7 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2021-22 15 - 36

Report of the Executive Director Governance, People and Resources

Contact Officer: Carolyn Sheehan

Ward Affected: All Wards

#### 8 COUNTER FRAUD ANNUAL REPORT 2021-22 37 - 48

Report of the Executive Director Governance, People and Resources

Contact Officer: Carolyn Sheehan

Ward Affected: All Wards

#### 9 FORMAL APPROVAL OF THE ANNUAL GOVERNANCE STATEMENT 2021-2022 49 - 84

Report of the Executive Director Governance, People and Resources

Contact Officer: Kat Brett

Ward Affected: All Wards

- 10 INTERNAL AUDIT EXTERNAL ASSESSMENT PROPOSAL 85 - 108**  
Report of the Executive Director Governance, People and Resources  
*Contact Officer: Carolyn Sheehan*  
*Ward Affected: All Wards*
- 11 PROCUREMENT COMPLIANCE UPDATE 109 - 126**  
Report of the Executive Director Governance, People and Resources  
*Contact Officer: Nigel Manvell Tel: 01273 293104*  
*Ward Affected: All Wards*
- 12 STANDARDS UPDATE 127 - 132**  
Report of the Executive Director Governance, People and Resources  
*Contact Officer: Victoria Simpson Tel: 01273 294687*  
*Ward Affected: All Wards*
- 13 ITEMS REFERRED FOR COUNCIL**  
To consider items to be submitted to the 21 July 2022 Council meeting for information.  
  
*In accordance with Procedure Rule 24.3a, the Committee may determine that any item is to be included in its report to Council. In addition, any Group may specify one further item to be included by notifying the Chief Executive no later than 10am on the eighth working day before the Council meeting at which the report is to be made, or if the Committee meeting take place after this deadline, immediately at the conclusion of the Committee meeting*
- 14 ITEMS FOR THE NEXT MEETING**

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### **Further information**

For further details and general enquiries about this meeting contact John Peel, (01273 291058, email [john.peel@brighton-hove.gov.uk](mailto:john.peel@brighton-hove.gov.uk)) or email [democratic.services@brighton-hove.gov.uk](mailto:democratic.services@brighton-hove.gov.uk)

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- Do not re-enter the building until told that it is safe to do so



**Brighton & Hove City Council**

**Audit & Standards Committee**

**4.00pm 19 April 2022**

**Council Chamber, Hove Town Hall**

**Minutes**

**Present:** Councillor Yates (Chair) Hugh-Jones (Group Spokesperson), Appich, Meadows, Moonan, Peltzer Dunn, Phillips and Shanks

**Part One**

**43 PROCEDURAL BUSINESS**

**43a Declarations of substitutes**

43.1 Councillor Appich was present as substitute for Councillor Hamilton.

**43b Declarations of interests**

43.2 Councillor Hugh-Jones declared a non-pecuniary interest in Item 55 as she was the subject of a complaint referenced.

43.3 Councillor Meadows declared a non-pecuniary interest in Item 55 as she was a Member who had made a complaint.

**43c Exclusion of the press and public**

43.4 In accordance with Section 100A of the Local Government Act 1972 ("the Act"), the Committee considered whether the public should be excluded from the meeting during consideration of any item of business on the grounds that it is likely in view of the business to be transacted or the nature of the proceedings, that if members of the public were present during it, there would be disclosure to them of confidential information as defined in Section 100A (3) of the Act.

43.5 **Resolved** - That the public and press not be excluded from the meeting.

**44 MINUTES**

44.1 **Resolved** – That the minutes of the previous meeting held on 19 April 2022 be approved and signed as the correct record.

**45 CHAIR'S COMMUNICATIONS**

50.1 The Chair provided the following Communications:

As Members may recall, we had a member question presented at the last meeting of the Committee in January raising issues about reports in the media regarding Councillors' expenses. I did receive confirmation from Officers that the matter was dealt with and processed in accordance with Council procedures.

Subsequent to the meeting I received further communication from a Member of the Public with detailed assertions purporting to suggest that there were some discrepancies between the expenses claimed and what happened in practice.

Although I was not in a position to form a view on the allegation, I felt it was important that the issues were looked at properly and objectively and this was communicated to Officers. As a result, the Internal Audit Service in Audit was asked to undertake the investigation. Its terms of reference include undertaking the investigation to seek confirmation whether:

- Claims were made in line with BHCC Policy
- Claims were supported by appropriate evidence, where necessary
- Claims were made for an appropriate duration in respect of approved duties.

The work has already started, and we hope that it will be concluded in the next couple of weeks. Depending on the conclusions, we may be able to share them with Members at the next meeting of the Committee or earlier. But we obviously need to make sure that any communication needs to respect the law on protection of personal data and also does not compromise any steps the Council may take.

I confirm that the Council received some late public engagement items and a Member letter, but given that the investigation is already underway, it would not have served any purpose and may actually compromised the process.

As I said, we will share the findings of the investigation with Members as soon as reasonably practicable and subject to the safeguards I mentioned.

## **46 CALL OVER**

46.1 The following items on the agenda were reserved for discussion:

- Item 49: Strategic Risk Focus Item
- Item 50: External Audit: Annual Report
- Item 51: External Audit: Audit Plan and Informing the Audit Risk Assessment 2021/22
- Item 52: Internal Audit Progress Report- Quarter 3
- Item 53: Internal Audit Strategy and Annual Audit Plan 2022/23
- Item 55: Annual Surveillance Report

46.2 The Democratic Services Officer confirmed that the items listed above had been reserved for discussion and that the following reports on the agenda with the recommendations therein had been approved and adopted:

- Item 54: Annual Surveillance Report

## **47 PUBLIC INVOLVEMENT**

47.1 There were none.

## **48 MEMBER INVOLVEMENT**



48.1 There were none.

**49 STRATEGIC RISK FOCUS REPORT: SR2, SR24, SR29, SR15, SR13 AND SR37**

49.1 The Committee considered a report of the Executive Director Governance People & Resources that provided detail on the actions taken and future actions to manage each strategic risk.

SR2 The Council is not financially sustainable.

SR24 The council is unable to provide an effective welfare support response to households facing financial hardship.

SR29 Procurement non-compliance and ineffective contract performance management leads to sub-optimal service outcomes, financial irregularity and losses, and reputational damage.

SR15 Not keeping children safe from harm and abuse.

SR13 Not keeping adults safe from harm and abuse.

49.2 In response to a question from Councillor Hugh-Jones, the Executive Director Governance People & Resources stated that the initial risk score was made by the relevant Directorate and that was then challenged and discussed by the Executive Leadership Team (ELT) who in turn would set the risk score.

49.3 During discussions, Members suggested the committee receive a report on how risk ratings were set and what benchmarking was undertaken with comparable local authorities. Members suggested a training session be held for Members to better understand the risk management process.

49.4 In response to a question from Helen Aston, the Chief Finance Officer stated that the risk score was high as there were significant challenges and risk relating to the council's financial reserves in the medium-term.

49.5 In response to questions from Councillor Meadows, the Chief Finance Officer stated that resource issues meant that the focus in procurement was upon higher value contracts as they carried higher reputational risk. Officers in the Procurement Team were contacting senior managers about their specific service and ensuring training programmes were in place. The Executive Director, Adult Social Care & Health confirmed that the premises identified on page 28 of the agenda was Ireland Lodge and an action plan was being developed and would be implemented.

49.6 In response to a question from Councillor Moonan, the Chief Finance Officer clarified that Internal Audit had picked up one or two issues with contract procurement. The service had been hampered by a recent drop in staffing levels due to resignations and the pandemic had impacted the wider training and coaching programmes. These issues would be address with the target the end of the financial year.

- 49.7 In response to questions from Councillor Appich, the Executive Director, Adult Social Care & Health explained that the Finance & Performance Board met every other month.
- 49.8 In response to questions from Councillor Hugh-Jones, the Executive Director - Families Children & Learning explained that a specific hidden children officer had been recruited in to increase the focus in this area as an outcome of the pandemic. The Council was only the second council in the country to gain the National Probation Inspectorate Youth Inspectorate grading and the next review would be due in approximately 4 years. Furthermore, regular audit activity dipped in quarter 3 due to a system move and had returned to the expected level in quarter 4. In addition, there was a standard set for family plans for children in need to be updated with 45 days and currently 70% were completed within that timescale.
- 49.9 Councillor Peltzer Dunn moved a motion to add a recommendation as shown below:
- That the Audit & Standards Committee:
- 2.5 Receive a report to its next meeting regarding risk assessing, risk appetite, benchmarking against other organisations and proposals for training.
- 49.10 Councillor Yates formally seconded the motion.
- 49.11 The Chair put the motion to the vote that passed.
- 49.12 The Chair put the recommendations as amended to the vote that were agreed.
- 49.13 **Resolved-** That the Audit & Standards Committee:
- 1) Note the SRR detailed within Table 1 of this report.
  - 2) Note Appendix 1 the CAMMS Risk report with details of the five SRs and actions taken ('Existing Controls') and actions planned.
  - 3) Note Appendix 2 which provides:
    - i. a guide on the risk management process;
    - ii. guidance on how Members might want to ask questions of Risk Owners, or officers connected to the strategic risks; and
    - iii. details of opportunities for Members, or officers, to input on Strategic Risks at various points and levels.
  - 4) Make recommendations for further action(s) to the relevant council body.
  - 5) Receive a report to its next meeting regarding risk assessing, risk appetite, benchmarking against other organisations and proposals for training.

## 50 EXTERNAL AUDIT: ANNUAL REPORT

- 50.1 The Committee considered a report of External Audit that set out their annual report for the year ending 31 March 2021 reports on the council's value for money arrangements for the 2020/21 financial year. The report is attached at Appendix 1.
- 50.2 In response to questions from Councillor Meadows, the Executive Director Governance People & Resources clarified that the Constitutional Working Group would be reviewing the number of working groups and Task & Finish groups shortly and that a specific KPI for Freedom of Information requests was something that could be considered.
- 50.3 **Resolved-**
- 6) That the Audit & Standards Committee notes the auditor's annual (Value For Money) report for the financial year ending 31 March 2021.

**51 EXTERNAL AUDIT: AUDIT PLAN AND INFORMING THE AUDIT RISK ASSESSMENT 2021/22**

- 50.1 The Committee considered a report of External Audit that set out the External Audit Plan and a document that had informed the External Audit risk assessment in liaison with Brighton & Hove City Council officers.
- 50.2 **Resolved-**
- 7) That the Audit & Standards Committee considers the documents and notifies the external auditors if there are any additional matters that it considers may also impact on the planned audit work and context for the financial year ending 31 March 2022.
- 8) That Committee notes both the External Audit Plan and responses to Informing the Audit Risk Assessment for 2021/22.

**52 INTERNAL AUDIT PROGRESS REPORT – QUARTER 3 (1 OCTOBER TO 31 DECEMBER 2021)**

- 52.1 The Committee considered a report of the Executive Director, Governance, People & Resources that updated on all internal audit and counter fraud activity completed during quarter 3 (2021/22), including a summary of all key audit findings. The report also included an update on the performance of the Internal Audit service during the period.
- 52.2 In response to a question from Councillor Peltzer Dunn, the Orbis Chief Internal Auditor explained that the phase 1 procurement audit had agreed a set of actions for the organisation to address. Internal Audit carried out the follow up on whether those actions had been implemented and address and this would be carried out once reasonable time had elapsed to undertake that implementation.
- 52.3 In response to a question from Councillor Meadows, the Audit Manager explained that in relation to performance by service, some directorates had a greater volume of procurements so in turn, had a higher number of actions.

52.4 The Committee members agreed that a further report was required to their next meeting with a progress update on the minimal assurance audit relating to Procurement Compliance.

**52.5 Resolved-**

- 1) That the Committee note the report.

**53 INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2022/23**

53.1 The Committee considered a report of the Executive Director, Governance, People & Resources that requested approval of the Internal Audit Strategy and Annual Audit Plan for 2022/23, and the Internal Audit Charter.

53.2 In response to a question from Helen Aston, the Orbis Chief Internal Auditor confirmed that cybersecurity would be benchmarked against National Cyber Security Centre best practice. On whether IR35 had been considered for the Audit Plan, the Orbis Chief Internal Auditor stated that it had been considered and one Orbis partner had included it in their plan. If that particular audit demonstrated a need for other partners to do the same then IR 35 would be included in the audit plan in the future.

**53.3 Resolved-**

- 1) That the Internal Audit Strategy and Annual Audit Plan for 2022/23, and the Internal Audit Charter, are reviewed and endorsed by the Audit & Standards Committee.

**54 ANNUAL SURVEILLANCE REPORT**

**Resolved-**

- 1) That the continued use of covert surveillance be approved as an enforcement tool to prevent and detect crime and disorder investigated by officers, providing the activity is in line with the Council's Policy and Guidance and the necessity and proportionality rules are stringently applied.
- 2) That the surveillance activity undertaken by the authority since the report to Committee in March 2021 as set out in paragraph 3.3 is noted.
- 3) That the updated Policy and Guidance document set out in Appendix 1 be approved.

**55 STANDARDS UPDATE**

55.1 The Committee considered a report of the Executive Director, Governance, People & Resources that updated the Committee on progress in the determination of complaints that Members have breached the Code of Conduct for Members since the last Update report.

55.2 In response to a question from Councillor Peltzer Dunn, the Executive Director, Governance, People & Resources confirmed that link to the procedure for Member Complaints could be added into future versions of the report.

55.3 In response to questions from Councillor Meadows, the Executive Director, Governance, People & Resources agreed that some complaints had been open for some time and this was down to a combination of factors including complexity of the case, responses from the individuals concerned and officer resource in the context of a very high number of complaints. Complaints had been anonymised so as not to prejudice Members however, a different method of sharing that information with the committee could be considered.

**55.4 Resolved-**

1) That Committee notes the information in this Report.

**56 ITEMS REFERRED FOR COUNCIL**

56.1 No items were referred to Full Council for information.

**57 ITEMS FOR THE NEXT MEETING**

57.1 The Committee agreed to receive a report to their next meeting with a progress update on the minimal assurance audit relating to Procurement Compliance.

The meeting concluded at 7.15pm



# Brighton & Hove City Council

## Audit & Standards Committee

## Agenda Item 7

**Subject:** Internal Audit Annual Report and Opinion 2021-22

**Date of meeting:** 28 June 2022

**Report of:** Executive Director of Governance, People and Resources

**Contact Officer:** Name: Carolyn Sheehan  
Tel: 07795 335692  
Email: carolyn.a.sheehan@brighton-hove.gov.uk

Name: Russell Banks  
Tel: 07824 362739  
Email: russell.banks@eastsussex.gov.uk

**Ward(s) affected:** All

**For general release**

### **1. Purpose of the report and policy context**

1.1 The purpose of this report is to give an opinion on Brighton and Hove City Council's control environment for the year from the 1 April 2021 to 31 March 2022.

### **2. Recommendations**

- 2.1 That Committee note the Internal Audit Service's opinion on the Council's control environment (Annex A)
- 2.2 The Committee note any significant control issues that should be included in the Council's Annual Governance Statement for 2021/22
- 2.3 The Committee note that the Council's system for internal audit has proved effective during 2021/22

### **3. Context and background information**

3.1 The purpose of this report is to give an opinion on the adequacy of Brighton and Hove City Council's control environment as a contribution to the proper economic, efficient, and effective use of resources. The report covers the audit work completed in the year from 1 April 2021 to 31 March 2022 in accordance with the Internal Audit Strategy for 2021/22.

3.2 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities ‘must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’. Annually the Chief Internal Auditor is required to provide an overall opinion on the Council’s internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

3.3 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

#### **4. Analysis and consideration of alternative options**

4.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide reasonable assurance that Brighton and Hove City Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2021 to 31 March 2022.

4.2 This opinion and the evidence that underpins it, is further explained in the full Internal Audit Annual Report and Opinion which forms Annex A of this report.

4.3 The report highlights key issues for the year, including a summary of all audit opinions provided, key financial systems and other internal audit activity in Appendix B.

4.4 There is a separate report of Counter Fraud activity to be presented alongside this report.

4.5 A summary of the major findings from audit reviews completed during quarter 4 of 2021/22 is included in Annex B. Major findings from previous quarters have already been reported to Audit and Standards Committee.

4.6 Finally, Appendix A of the annual report sets out details of internal audit performance for the year, including details of compliance against the relevant professional standards.

#### **5. Community engagement and consultation**

5.1 The annual report has been informed by internal audit and counter fraud work carried out during the year which has included extensive engagement with officers and members.

#### **6. Conclusion**

6.1 The committee is recommended to note the Internal Audit Service’s opinion on the Council’s control environment, consider whether



there are any significant issues that should be included in the Council's annual governance statement for 2021/22 and consider whether the Council's system for internal audit has proved effective.

## **7. Financial implications**

- 7.1 There are no direct financial implications arising from this report. Sound corporate governance, risk management and control are essential to the financial health and reputation of the council.

Name of finance officer consulted: James Hengeveld Date consulted (06/06/22):

## **8. Legal implications**

- 8.1 The Accounts and Audit Regulations (England) 2015 require that the findings of the effectiveness review be considered by Council or one of its committees. The Audit and Standards Committee is the Council's designated committee for this purpose. Lawyer Consulted: Victoria Simpson Date: 9/6/21

- 8.2 Name of lawyer consulted: Victoria Simpson Date consulted 10/6/2022:

## **9. Equalities implications**

- 9.1 None

## **10. Sustainability implications**

- 10.1 None

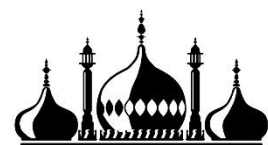
## **Supporting Documentation**

### **1. Appendices**

1. Annex A – Annual Report and Opinion 2021-22
2. Appendix A – Performance Indicators 2021/22
3. Appendix B – Summary of Opinions for Reports Issued During 2021/22
4. Annex B – Internal Audit Work Completed in Quarter 4 2021/22



# INTERNAL AUDIT ANNUAL REPORT & OPINION 2021/2022



**Brighton & Hove  
City Council**

## **1. Internal Control and the Role of Internal Audit**

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The full role and scope of the Council's Internal Audit Service is set out within our Internal Audit Charter.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

1.3 Annually the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

## **2. Delivery of the Internal Audit Plan**

2.1 The Council's Internal Audit Strategy and Plan is updated each year based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. The process of producing the plan involves extensive consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered.

2.2 Covid 19 has continued to have an impact on the Council in 2021/22. This has meant that we have had to adopt flexible working practices, reschedule audits, and make a much greater number of amendments to the year's audit plan than would normally be the case.

2.3 During 2021/22, we have continued to see an increase in the number of government grants that need to be certified by Internal Audit, most of which are specific to supporting the City Council through the pandemic.

2.4 Notwithstanding the above, we have still been able to deliver sufficient audit and assurance activity within the year to enable us to form an overall annual audit opinion for the Council in the normal way. This includes delivery of the revised programme of audits and investigating any allegations of fraud and other irregularities.

2.5 All adjustments to the audit plan were agreed with the relevant departments and reported throughout the year to the Audit & Standards Committee as part of our periodic internal audit progress reports. It should be noted that whilst there were a number of audits reports still in draft at the year-end, the outcomes from this work have been taken into account in forming our annual opinion. Full details of these audits will be reported to the Audit & Standards Committee once each of the reports have been finalised with management.

### 3. Audit Opinion

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide Reasonable <sup>(1)</sup> Assurance that Brighton & Hove City Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2021 to 31 March 2022.

3.2 Further information on the basis of this opinion is provided below. Overall, whilst the majority of audit opinions issued in the year were generally positive, internal audit activities have identified a number of areas where the operation of internal controls has not been fully effective, in particular a combination of reviews examining procurement practices across the organisation. This work was delivered in two linked phases, both of which resulted in minimal assurance opinions. These have already been reported to Audit and Standards Committee during the year with management due to be providing an update report on actions arising at the committee's June meeting.

3.3 Where improvements in controls are required as a result of any of our work, we have agreed appropriate remedial action with management.

3.4 In addition to specific audit reviews, we undertake regular liaison activity with all directorates to understand emerging pressures and risk areas and amend our plan of work accordingly. This process provides additional assurance that the audit programme remains current and focused on the highest risks.

### 4. Basis of Opinion

4.1 The opinion and the level of assurance given takes into account:

- All audit work completed during 2021/22, planned and unplanned;
- Follow-up of actions from previous audits;
- Management's response to the findings and recommendations;
- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor and Audit Managers at organisational meetings relating to risk, governance, and internal control matters;
- Effects of significant changes in the Council's systems;
- The extent of resources available to deliver the audit plan;
- Quality of the Internal Audit service's performance.

4.2 Whilst no direct limitations have been placed on the scope of Internal Audit during 2021/22, some planned pieces of work within the Housing service have been deferred, at the request of management, given the impact of Covid 19 and in order to allow time to address known areas for improvement. This work will be picked up as part of future audit plans.

4.3 It should be noted that Covid 19 has continued to have an impact on many of the services we have audited in the 2021/22 financial year. In some instances, this has led to a

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<sup>1</sup> This opinion is based on the activities set out in the paragraphs below. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Council within a single year.

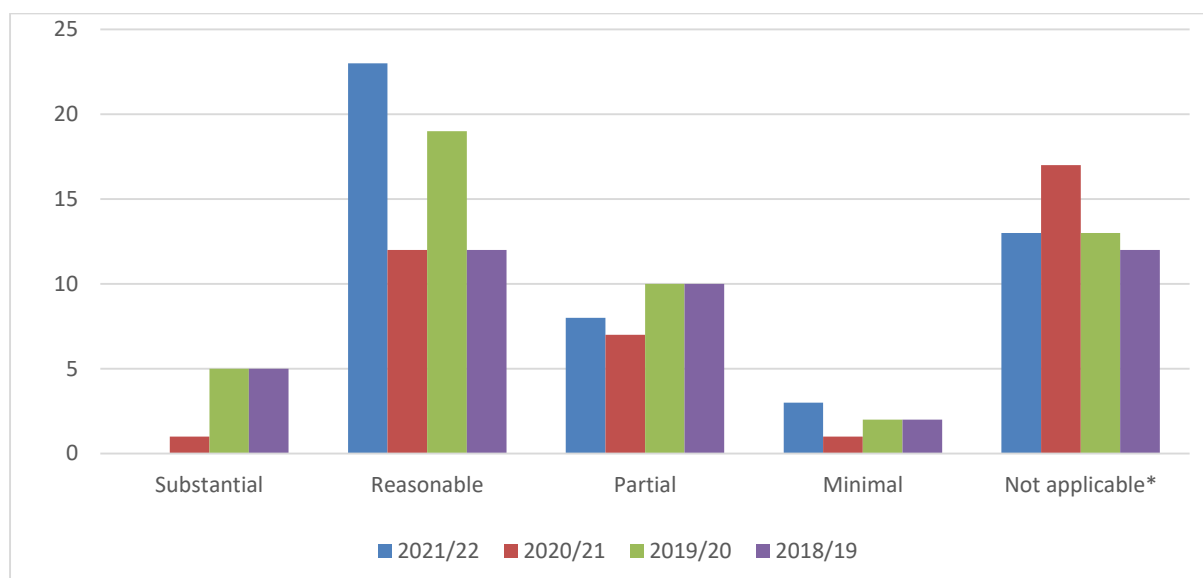
reprioritisation of work to front line services which has meant that some projects to improve the management of internal control risks have been delayed. In all cases, any changes to the audit plan have been reported to ELT and Audit & Standards Committee as part of our quarterly progress reports.

## 5. Key Internal Audit Issues for 2021/22

5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, have been taken into account when preparing the Council’s Annual Governance Statement.

5.2 The internal audit plan is delivered each year through a combination of formal reviews with standard audit opinions, direct support for projects and new system initiatives, investigations, grant audits and ad hoc advice. The following graph provides a summary of the outcomes from all audits finalised over the past four years:

### Audit Opinions



\*Not applicable: Includes grant certifications and audit reports where we did not give a specific audit opinion.

5.3 A full listing of all completed audits and opinions for the year 2021-22 is included at Appendix B, along with an explanation of each of the assurance levels.

5.4 As explained above, this includes two minimal assurance opinion audits relating to procurement compliance which was split into two review phases. For the purpose of the consideration of the annual audit opinion, we have viewed these as one audit opinion, as they relate to the same area of activity.

5.5 Only one other review resulted in a minimal assurance audit opinion relating to a follow-up audit of Temporary Accommodation, previously Partial. This was reported in quarter 1 to the Audit and Standards Committee and forms part of the improvement activities within the Housing service referred to in paragraph 4.2 above.

5.6 In addition to the above, a total of eight audits received partial assurance opinions within the year as follows:

- Access Management;
- Housing Management System;
- City Clean External Contracts and Commercial Waste (Follow-up), previously Minimal;
- Performance Review Compliance (PDP's and 1 to 1's)
- Public Sector Bodies (Website and Mobile Applications)
- Direct Payments (Follow-up), previously Partial;
- Middle Street Primary School;
- Patcham Infants School.

5.7 Whilst actions arising from these reviews will be followed up by Internal Audit, either through specific reviews or via established action tracking arrangements, it is important that management take prompt action to secure the necessary improvements in internal control. Given this, it is of concern that in the case of two of the above partial assurance opinion audits, and in the case of one minimal assurance opinion, insufficient activity has taken place to achieve such improvement.

### Key Financial Systems

5.8 Given the substantial values involved, each year a significant proportion of our time is spent reviewing the Council's key financial systems, both corporate and departmental. Of those completed during 2021/22, all of these have resulted in reasonable assurance being provided over the control environment, with the exception of Housing Rents (currently in draft) which will receive a partial assurance opinion.

5.9 As of 31 March 2022, the audits of Council Tax, Payroll and Debtors were still being carried out and are due to be reported on in the first quarter of 2022/23. It should be noted that the two previous audits of Debtors have resulted in partial audit opinions. This is therefore an area that requires improvement, albeit recognising that the delivery of the service has been impacted by Covid 19.

### Housing Audits

5.10 During 2020/21, Internal Audit has carried out a number of audits of housing related areas within the Housing Neighbourhoods and Communities Directorate. Two of these audits resulted in partial assurance opinions and one in a minimal assurance opinion. These were:

- Housing Management System Implementation (Partial Assurance)- an audit examining the project programme for the implementation of new IT system;
- Housing Repairs - Service (Partial Assurance)- an audit examining the project programme for bringing the Housing Repairs Service in-house;
- Housing Temporary Accommodation (Minimal Assurance). – an audit following up on a previous Partial opinion audit, focusing on budget management and rent recovery.

5.11 As referred to in 4.2 above, we had planned to carry out follow-up reviews for each of these audits during 2021/22 but due to the significant impact of Covid 19 and the reorganisation of the service to support the necessary improvement in delivery and internal control, it was agreed that these will be deferred to 2022/23.

### **Other Internal Audit Activity**

5.12 During the year, Internal Audit have continued to provide advice, support, and independent challenge to the organisation on risk, governance, and internal control matters across a range of areas. These include:

- Orbis Customer Board/DMT/Finance & Resources Lead Business Partners Meetings;
- Business Intelligence Group/ Governance Assurance Meetings;
- Corporate Risk Assurance Group;
- Whistleblowing Co-ordination Meetings;
- Information Governance Board.

5.13 As well as actively contributing to, and advising these groups, we utilise the intelligence gained from the discussions to inform our own current and future work programmes to help ensure our work continues to focus on the most important risk areas.

### **Anti-Fraud and Corruption**

5.14 During 2021/22, the Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services across the organisation. Details of all counter fraud and investigatory activity for the year, both proactive and reactive, have been summarised within a separate Counter Fraud Annual Report due to be presented alongside this Internal Audit annual report. Where relevant, the outcomes from this work have also been used to inform our annual internal audit opinion and future audit plans.

### **Amendments to the Audit Plan**

5.15 In accordance with proper professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, the following reviews were added to the original audit plan during the year:

- Procurement Compliance (Phase 1 and 2)
- Children's Disability Agency Placements;
- Black Rock- Major Project;
- Property and Design – Corporate Landlord;
- Performance Review Compliance;
- DWP/ Searchlight System Security Compliance;
- School Attendance;
- Information Governance- Remote Working;
- Welfare Discretionary Funding;
- Covid 19 Bus Service Support Grant;



- Royal Pavilion Accounts Payable Controls.

5.16 In order to allow these additional activities to take place, the following audits have been removed or deferred from the audit plan and, where appropriate, will be considered for inclusion in future audit plans as part of the overall risk assessment completed during the annual audit planning process. These changes have been made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

- Cloud Computing (Follow-up);
- Corporate Systems Replacement Strategy and Implementation;
- Home Connection Application Control Audit;
- Children's Safeguarding Data Handling
- Public Health Prep Grant (certification not required)
- Track and Trace Grant (certification not required).

## 6. Internal Audit Performance

6.1 Public Sector Internal Audit Standards (PSIAS) require the Internal Audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2021/22, including the results of our first independent PSIAS assessment, an update on our Quality Assurance and Improvement Programme and the year end results against our agreed targets.

### PSIAS

6.2 The Standards cover the following aspects of internal audit, all of which were independently assessed during 2018 by the South West Audit Partnership (SWAP) and subject to a refreshed self-assessment in 2021/22:

- Purpose, authority and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;
- Performing the engagement;
- Communicating results;
- Monitoring progress;
- Communicating the acceptance of risks.

6.3 The results of the SWAP review and our latest self-assessment found a high level of conformance with the Standards with only a small number of minor areas for improvement. Work has taken place to address these issues, none of which were considered significant, and these are subject to ongoing monitoring as part of our Quality Assurance and Improvement Plan.

## Key Service Targets

6.4 Performance against our previously agreed service targets is set out in Appendix A. Overall, client satisfaction levels remain high, demonstrated through the results of our post audit questionnaires, discussions with key stakeholders throughout the year and annual consultation meetings with Chief Officers.

6.5 As reported a small number of outstanding reviews were nearing completion at year end and, there were a number of reports still in draft at the year end. Where this is the case, this is noted against the title of the audit in this report.

6.6 We will continue to liaise with the Council's external auditors (Grant Thornton) to ensure that the Council obtains maximum value from the combined audit resources available.

6.7 In addition to this annual summary, ELT and the Audit & Standards Committee will continue to receive performance information on Internal Audit throughout the year as part of our quarterly progress reports and corporate performance monitoring arrangements.

### Internal Audit Performance Indicators 2021/22

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee (2020/21)	By end April	<b>G</b>	Approved by Audit & Standards Committee on 9 March 2021.
	Annual Audit Report and Opinion (2019/20)	By end July	<b>G</b>	2020/21 Annual Report and Opinion approved by Audit & Standards Committee on 29 June 2021.
	Customer Satisfaction Levels	90% satisfied	<b>G</b>	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	<b>G</b>	94.1%
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	<b>G</b>	<p>January 2018 – External assessment by the South West Audit Partnership gave an opinion of ‘Generally Conforms’ – the highest of three possible rankings.</p> <p>July 2021 – Internal Self-Assessment completed, no major areas of non-compliance with PSIAS identified.</p>
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	<b>G</b>	No evidence of non-compliance identified.

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	G	100% for high priority agreed actions
Our staff	Professionally Qualified/Accredited	80%	G	91%

## Appendix B

### Summary of Opinions for Internal Audit Reports Issued During 2021/22

#### **Substantial Assurance:**

*(Explanation of assurance levels provided at the bottom of this document)*

Audit Title	Department
None	

#### **Reasonable Assurance:**

Audit Title	Department
Payroll 2020-21 Carry Forward	F&R
Council Tax 2020-21 Carry Forward	F&R
Recruitment 2020-21 Carry Forward	F&R
MCM Housing Repairs Application 2020-21 Carry Forward	HNC
Housing Benefits	F&R
Welfare Discretionary Funding	F&R
Highways Contract Management (Follow-up)	EEC
DWP/ Searchlight System Security Compliance	F&R
Accounts Payable	F&R
Children's Disability Agency Placements	FCL
Agency Staff Contract (Follow-up)	F&R
Capital Programme	F&R
Home Care (Follow-up)	HASC
Email Communication – Personal and Sensitive Encryption	F&R
Property and Design (Corporate Landlord)	EEC
Black Rock – Major Project	EEC
Information Governance – Remote Working	F&R
Business Rates	F&R
HASC Modernisation Programme	HASC
Network Security (Follow-up)	F&R
Pier Application Control Audit	F&R
Schools Audit – Blatchington Mill	FCL
Schools Audit – Lady of Lourdes	FCL

**Partial Assurance:**

<b>Audit Title</b>	<b>Department</b>
Access Management 2020-21 Carry Forward	F&R
Housing Management System 2020-21 Carry Forward	HNC
City Clean External Contracts and Commercial Waste (Follow-up)	EEC
Performance Review Compliance (PDP's and 1 to 1's)	F&R
Public Sector Bodies (Website and Mobile Applications)	F&R
Direct Payments (Follow-up)	HASC
Schools Audit – Middle Street Primary	FCL
Schools Audit – Patcham Infants School	FCL

**Minimal Assurance:**

<b>Audit Title</b>	<b>Department</b>
Procurement Compliance – Phase 1	F&R
Procurement Compliance – Phase 2	F&R
Housing Temporary Accommodation (Follow-up) 2020-21 Carry Forward	HNC

**Grant Claims**

<b>Audit Title</b>	<b>Department</b>
Travel Demand Management Grant	EEC
EU Interreg Grant SCAPE	EEC
Addition Dedicated Home to School Transport Grant	FCL
Transport Capital Grants	EEC
Bus Subsidy Transport (Revenue) Grant	EEC
EU Interreg Grant Solarise	HNC
EU Interreg Grant BCHT	EEC
EU Interreg Grant Urbact	HNC
EU Interreg Grant – Blueprint for a circular economy (claim 3)	EEC
Covid 19 Bus Service Support Grant (CBSSG)	EEC

**Other Audit Activity Undertaken During 2020/21**

<b>Audit Title</b>	<b>Department</b>
Covid 19 Business Grants (support and advice)	F&R
Ways of Working Recovery Group (part time redeployment)	F&R
Support to the Access Management Program	F&R

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

### Internal Audit work completed in Quarter 4 2021/2022

#### **Direct Payments (Follow-up) – Partial Assurance**

Direct payments are made to individuals to meet some or all of their eligible health care and support needs. The legal framework is set out in the Care Act, Section 117(2C) of the Mental Health Act 1983 and the Care and Support (direct payments) Regulations 2014. Direct payments allow clients to procure their own care rather than receiving service provision arranged directly by the Council.

This audit was to follow-up on the previous Direct Payments review that concluded Partial Assurance, with the objective of providing assurance that actions have been implemented and that effective control arrangements are now in place to ensure funds have been paid and accounted for correctly and used for their intended purpose.

Overall, we found that three of the five actions previously agreed had not been implemented and another two had only been partially implemented.

Improvements are needed to regularly monitor high value balances on client accounts. At the time of the audit these valued £1.9m and may indicate that clients are either overfunded or that they are not receiving the care that they need.

At the time of the audit, we found that there is still a delay in carrying out annual client care reviews, with 46% not being delivered in the previous 12 months. In addition, contracts with suppliers of prepaid cards and supported bank accounts have not been formally agreed and are non-compliant with the Council's procurement practice.

A range of actions have been agreed within management to address all of the issues arising from our review and this will be subject to further follow-up by Internal Audit in due course to provide assurance that controls have improved.

#### **Business Rates – Reasonable Assurance**

Business rate collection is a key function of the Council, with it retaining 49% of locally collected business rates. During the pandemic business rates processes and collection were significantly impacted.

The Council was carrying forward a deficit from 2020/21. During 2021/22 there was still some uncertainty around the business rate forecast, but at TBM7 in October 2021 the forecast was for a surplus at the end of the year. Additional government grants and the ability to spread any deficits over three years have improved the financial position.

Our review confirmed that a fully documented process is in place to evidence and ensure the business rates system complies with legislation. A robust and documented series of checks and reconciliations are also in place to help ensure the annual billing process is accurate and that business rates bills contain all mandatory information.



Monitoring of arrears remained in place during 2021/22 but enforcement action was not taken because of the pandemic. The process of reminders and summonses restarted in September 2021 with £1.3million of liability orders issued.

Actions were agreed with the service to improve the forecasting of collection rates, reinstate quality assurance reviews and checks on empty properties. It was also noted that there had been a delay in collecting at some properties where the Council was the liable party.

### **Health and Adult Social Care (HASC) Modernisation Programme – Reasonable Assurance**

The HASC Modernisation Programme is designed to achieve integrated service delivery, financial plan savings and drive areas of transformational change within HASC. It has a £5.197m savings target which is made up of 2021/22 savings of £4.515m and unachieved savings of £0.682 from 2020/21.

The objective of this audit was to provide assurance that controls are in place and are operating as expected to manage key risks to the achievement of the modernisation programme objectives.

We found that there is a formal governance structure in place, with the Executive Director of Health & Adult Social Care and Interim Assistant Director of Transformation as the Co-Sponsors of the programme, with separate Senior Responsible Officers (SROs) named for each project/workstream. There are regular communications across the directorate on progress made.

At the time of the audit, the service was reporting 60% of the savings plan achieved for 2021/22, including undelivered savings from previous years. We found that projects at risk of non-achievement of the savings were also regularly reported on.

Officers reported that programme delivery had been impacted by Covid 19 and the redeployment of staff putting pressure on the capacity to deliver.

Actions were agreed to ensure that where projects are at risk of not delivering the savings, that mitigations are identified and any savings at risk are communicated and escalated. This should include the development of SMART targets.

The programme is reliant on the modernisation of information technology systems, and we found that greater engagement was needed to ensure that the service had the right IT & D support in place.

### **Network Security (Follow-up) – Reasonable Assurance**

Information Technology (IT) systems enable the Council to provide their critical services to their customers and are used to collect, process, and retain ever increasing amounts of confidential information. The vulnerabilities that exist in these IT systems, as well as the infrastructure that supports them, combined with a perceived lack of awareness regarding security issues, have led to attackers targeting public organisations and may expose Councils

to a greater risk of cyber-security attack. Such attacks can be launched from any network connection and can have a significant financial and reputational impact on the Council.

This audit was a follow-up the previous Network Security audit, which reviewed the technical controls in place and provided only Partial Assurance. Our follow-up sought to ensure actions have been implemented as agreed and to identify any further work required to improve the control environment.

Overall, we found that, of the nine audit findings from the previous report, all have been at least partially addressed.

We agreed further actions in relation to two areas we found to be partially outstanding, relating to the need to review the residual number, and use of machines using systems which are not currently supported and the implementation of the Security Information and Event Management system.

### **Pier Application Control Audit – Reasonable Assurance**

The Council's payroll and HR processes are hosted on the Personal Information and Employment Resource (PIER) system. The system covers salary, overtime, and other employment related payments such as travel, and subsistence. Some system data can be input by individual employees on a self-service basis.

This application audit reviewed all major input, processing, and output controls, including the controls in place to interface with any other systems and ensure appropriate system ownership and responsibilities are known.

We found that robust controls are in place to ensure:

- access and permissions are restricted to appropriate individuals;
- any changes to the data processing and validation criteria are subject to review and approval; and
- Any new reports are reviewed and approved prior to release into the live environment.

Some opportunities to further strengthen controls were also identified in relation to ensuring all go-live decisions are properly documented, further restricting unsuccessful log-in attempts, and reviewing systems logs for suspicious or irregular activity. Actions have been agreed with management in order to address all of these improvement areas.

### **Covid 19 Bus Service Support Grant (CBSSG)**

This is a Covid related grant certification in respect of additional grant funding to support bus services. No significant issues were identified in the grant certification.

### **EU Interreg Grant – Blueprint for a circular economy (claim 3)**

This is an EU Interreg project that requires grant certification twice a year. The project is to help local authorities support a shift to a circular economy. The project is aimed at reducing waste, job creation and efficient use of resources. The Council have joined the project after its start, so this was the first claim against the grant, which runs until June 2023. No significant issues were identified in the grant certification.

#### **EU Interreg Grant – SOLARISE (claim 7)**

This is an EU Interreg project that requires grant certification twice a year. The full title of the project is ‘Solar Adoption Rise In the 2 Seas’. No significant issues were identified in the grant certification.

#### **EU Interreg Grant – BCHT (claim 7 and 8)**

This is an EU Interreg project that requires grant certification twice a year. The full title of the project is ‘Bio-Cultural Heritage Tourism.’ The final claim was certified in March 2022. The total budget for the project was €529,632. No significant issues were identified in the grant certification

### **Schools**

We have a standard audit programme in place for all school audits, with the scope of our work designed to provide assurance over key controls within the control environment in place:

- Governance structures were in place and operated to ensure there was independent oversight and challenge by the Governing Body;
- Decision making was transparent, well documented, and free from bias;
- The school was able to operate within its budget through effective financial planning;
- Unauthorised or inappropriate people did not have access to pupils, systems or the site;
- Staff were paid in accordance with the schools pay policy;
- Expenditure was controlled and funds used for an educational purpose;
- Value for money was achieved on contracts and for larger purchases;
- All unofficial funds were held securely and used in accordance with their agreed purpose;
- Security arrangements keep data and assets secure and are in accordance with data protection legislation.

School audits are currently being undertaken under remote working arrangements.

One school audit was delivered in quarter 4. The table below shows a summary of the school we have audited, together with the final level of assurance reported to them.

Name of School	Audit Opinion
Blatchington Mill School	Reasonable Assurance

As well as undertaking routine audit work, we provided two training and update sessions for BHCC Governors during quarter 4, providing them with details of the audit programme and ways that they can support their schools to implement and maintain robust controls.

We aim to undertake follow-up audits at all schools with Minimal and most schools with Partial Assurance opinions.

At the end of quarter 4, liaison was ongoing to identify schools for audit within the 2022-23 financial year.

### **Counter Fraud and Investigation Activities**

During the past quarter Internal Audit have delivered fraud awareness session to several Adult Social Care and Corporate Debt teams. Further fraud awareness will be delivered to Housing Options and the Homeless Teams in quarter 2 of 2022.

Internal Audit are continuing to liaise with services to ensure that matches from the National Fraud Initiative are being reviewed and processed.

The team continue to monitor intel alerts and share information with relevant services when appropriate.

### Summary of Completed Investigations

#### Theft from a Hostel

A hostel manager made contact with the team following the theft of cash from a locked box and a safe. Both incidents had already been reported to the police, therefore, we provided the manager with support and advice regarding security of cash and general security procedures. No further incidents have been reported.

#### Report of False Documents

Advice was provided to the Concessionary Travel Team following a client submitting false documents in an attempt to obtain a bus pass. Following a review of the documents, the bus pass was not issued.

#### Adult Social Care

The team continue to support the Adult Social Care team with investigating allegations of deprivation of capital and potential false statements to obtain direct payments. During the last quarter, advice was provided in relation to 14 cases.

#### Housing Tenancy & Local Taxation

In addition to the above, a key focus area remains housing tenancy fraud and Local Taxation. At the end of 2021/22, three council properties had been returned to stock.

# Brighton & Hove City Council

## Audit and Standards Committee

## Agenda Item 8

**Subject:** Counter Fraud Annual Report 2021-22

**Date of meeting:** 28<sup>th</sup> June 2022

**Report of:** Executive Director of Governance, People & Resources

**Contact Officer:** Name: Simon White, Audit Manager Counter Fraud  
Tel: 07779 455501  
Email: [simon.white@surreycc.gov.uk](mailto:simon.white@surreycc.gov.uk)

**Ward(s) affected:** All

### For general release

#### 1. Purpose of the report and policy context

1.1 The report covers the counter fraud work completed in the year from 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 in accordance with the Counter Fraud Strategy and Framework.

#### 2. Recommendations

2.1 That Committee note the fraud activity completed during 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022.

#### 3. Context and background information

3.1 The Council's Internal Audit team investigates allegations of fraud and irregularity against the Council and is committed to upholding the Council's Counter Fraud Strategy and Framework. The Council's strategy is aligned to the Fighting Fraud and Corruption Locally Strategy 2020 which is the governments 'blueprint' for tackling fraud in Local Government.

3.2 Within Internal Audit, the Counter Fraud Partnership Team comprises four auditors with counter fraud expertise who work across all departments and two housing fraud investigators. Together they provide a dedicated proactive counter fraud and responsive investigation function. It also works on behalf of the Council to ensure that its counter-fraud arrangements are robust by raising awareness of fraud risk, reviewing and improving fraud risk management arrangements, using data to actively identify fraudulent activity and monitoring the extent to which the Council is impacted by fraud. Where fraud is suspected or identified, the team provides a professional investigation service and advises on control measures that will prevent recurrence.

#### **4. Analysis and consideration of alternative options**

4.1 The Counter Fraud Annual Report outlines:

- Details of the work undertaken during the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022;
- Outcomes from investigation activities; and
- Other counter fraud activity.

#### **5. Community engagement and consultation**

5.1 None.

#### **6. Conclusion**

6.1 The committee is asked to note the report.

#### **7. Financial implications**

7.1 Counter Fraud activities were delivered within existing budgetary resources.

Name of finance officer consulted: James Hengeveld

Date consulted (06/06/22):

#### **8. Legal implications**

8.1 The Council's Audit & Standards Committee has delegated authority for – amongst other things – reviewing and providing reassurance on the Council's arrangements for preventing and detecting fraud and corruption.

Name of lawyer consulted: Victoria Simpson      Date consulted 10.6.22

#### **9. Equalities implications**

9.1 There are no direct equalities implications.

#### **10. Sustainability implications**

10.1 There are no direct sustainability implications.

### **Supporting Documentation**

#### **1. Appendices**

1. Counter Fraud Annual Report 2021/22

# INTERNAL AUDIT COUNTER FRAUD REPORT 2021/2022

## 1. Introduction

1.1 The Council's Financial Regulations require all officers and members of the Council to notify the Chief Internal Auditor of any matter that involves, or is thought to involve, corruption or financial irregularity in the exercise of the functions of the Council. Internal Audit will in turn pursue such investigations in line with the Counter Fraud Strategy and Framework.

1.2 Within the Orbis Internal Audit Service, the Counter Fraud partnership team provides resource and experience to support BHCC with both proactive and responsive support relating to any instances of financial irregularities and fraud related risks.

1.3 The annual Internal Audit Plan for 2021/22 carried within it a contingency budget for 'Irregularity and Special Investigations' of 150 days. This contingency covered time to investigate 'irregularities' (actual or alleged financial impropriety, corruption, and other similar matters) as well as time for proactive counter fraud work and to support the National Fraud Initiative (NFI), detailed in the latter part of this report.

1.4 Internal Audit reports following irregularity investigations typically help to provide independent evidence to support (or not) a management case against an employee under formal disciplinary procedures, to support potential criminal prosecutions and to help strengthen controls in areas where weaknesses are identified. Irregularity audit reports are not subject to the same distribution as general audit reports due to their confidential and sensitive nature.

## 2. Summary of investigations between 1 April 2022 and 31 March 2021

### Resources

2.1 During the 2021/22 financial year, a total of six Internal Audit officers charged time to work on irregularity investigations amounting to 133.9 days.

2.2 The Counter Fraud team also monitors the Anti-Fraud inbox and a BHCC Confidential Reporting email address that was introduced part way through the year, giving advice to members of staff on whistleblowing, and signposting to other departments where required.

### Number and Types of Investigations

2.3 A total of 30 allegations were received in the financial year (8 in the first half of the year and 22 in the second half). For comparison, 43 allegations were received in the previous financial year.

2.4 New allegations were brought to the attention of Internal Audit by the following methods:

- 21 were raised by Council management;
- 5 originated from an external source to the Council;
- 4 were raised through confidential reporting.

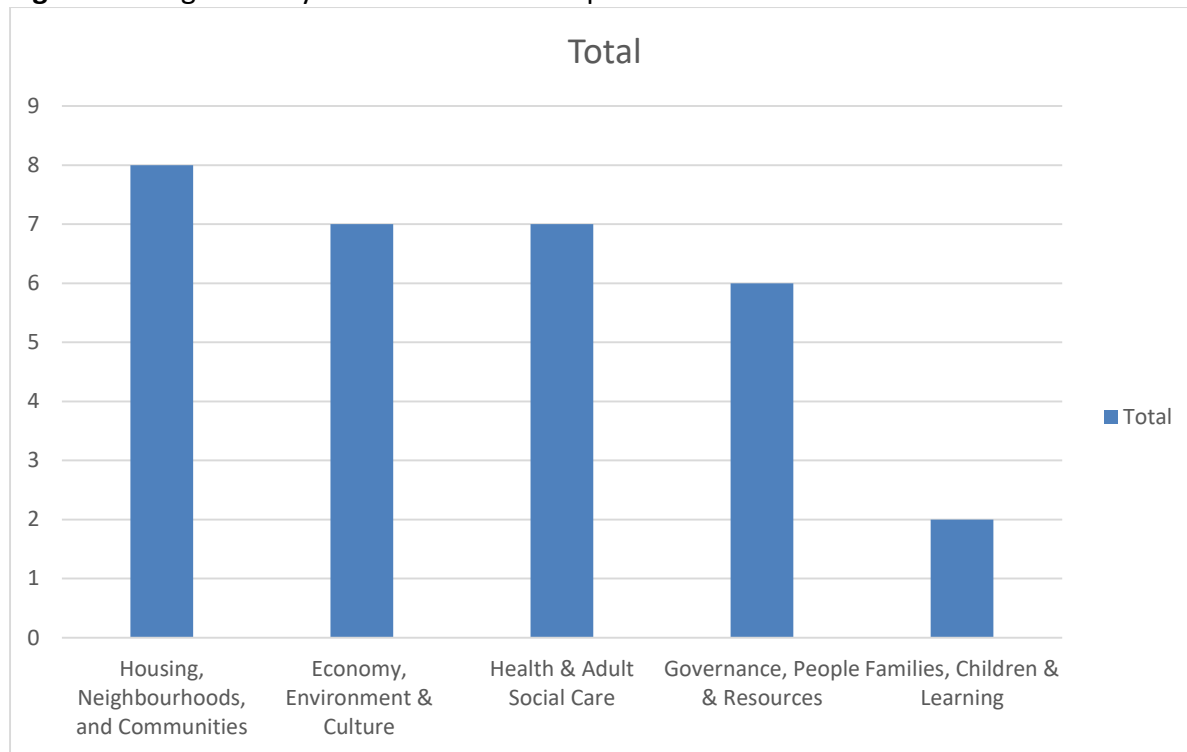
2.5 Full details of the categories by which fraud and irregularity investigations are reported are attached at Appendix A. All proven fraudulent or irregular behaviour by



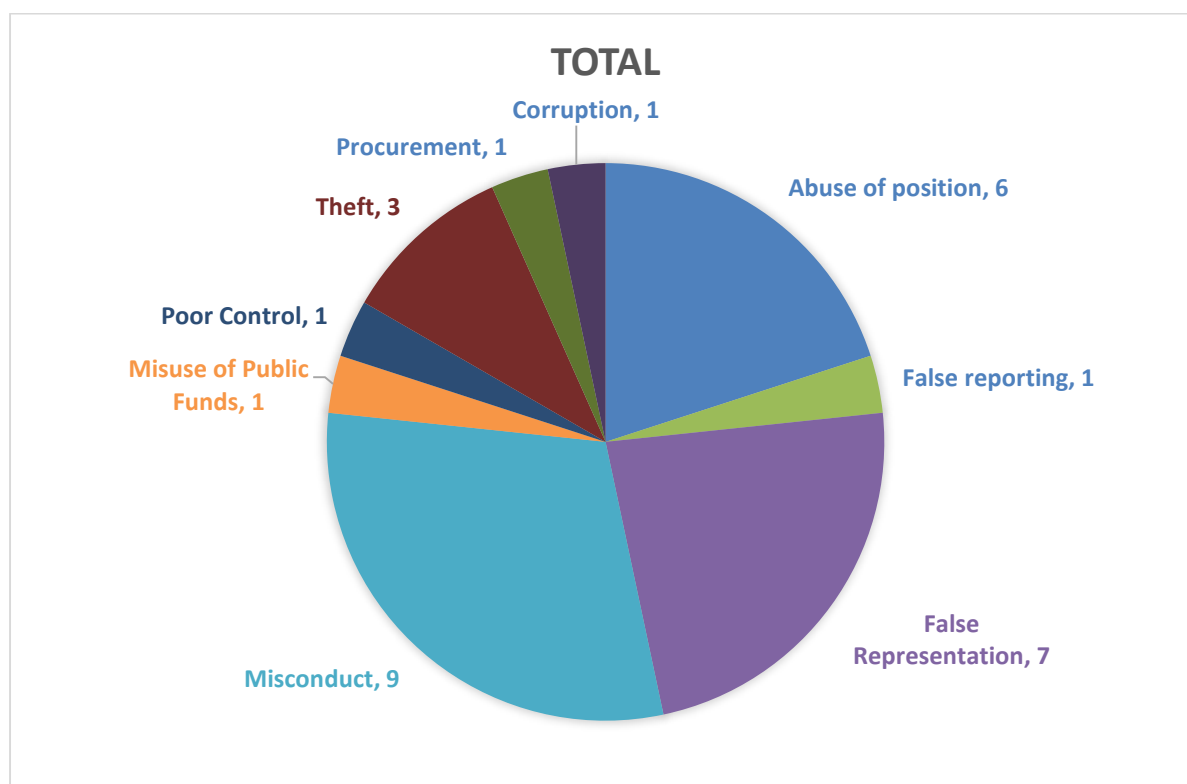
officers may be considered misconduct; similarly, poor controls increase the likelihood of fraud occurring. The categories therefore reflect alleged specific types of fraud or irregularity.

2.6 The number of all recorded allegations across the Council’s directorates is shown in Figure 1, while Figure 2 shows the categories of allegations received.

**Figure 1.** Allegations by directorate from 1 April 2021 to 31 March 2022



**Figure 2.** Summary of irregularities by type from 1 April 2021 to 31 March 2022



2.7 Of the 30 allegations received, 5 were closed with no action taken, 9 were taken forward for investigation by Internal Audit or support provided to a management investigation, and 8 were conduct or capability issues dealt by management with support from HR where appropriate. Eight referrals are still active at the time of writing.

2.8 The following paragraphs provide a summary of the investigation activity completed by Internal Audit in the last 12 months.

2.8.1 **Covid Business Grants** - throughout the year, we have continued to provide the Business Rates Team with advice and support when administering applications for the Small Business Grant, the Retail, Hospitality and Leisure Grant Fund and the Restart Grant. We have also investigated allegations of false applications for the grants and worked with management to meet the Department for Business Energy & Industrial Strategy (BEIS) reporting requirements for the schemes.

2.8.2 **Misuse of Resources** - following a whistleblowing allegation, we conducted preliminary enquiries relating to allegations of misuse of overtime, misuse of Council resources and conflicts of interests in the Housing Repairs Service. Preliminary enquiries identified several procedural issues, but no fraud was identified. A report summarising our findings was issued to the Executive Director of Housing, Neighbourhoods & Communities and HR who addressed the procedural issues.

2.8.3 **Avoidance of Parking Fines** - an investigation was conducted following an allegation that an employee had registered a vehicle in a false name in order to avoid paying Penalty Charge Notices for illegal parking. The investigation established the vehicle belonged to the employee and advice was provided to the Parking Team on recovering the debt.

2.8.4 **Blue Badge Misuse** - advice and support has been provided to HR and service management in three cases where employees have been identified as misusing a Blue Badge belonging to another person to park their vehicle at no cost or in dedicated bays. Disciplinary or other action has been progressed in these cases, including the issue of a second written warning to an employee.

2.8.5 **Misuse of Resources** – an investigation was carried out following receipt of an anonymous report alleging misuse of Physical Education & Sports Premium at a BHCC school. During the course of the investigation additional allegations were received alleging nepotism in the appointment of school staff and misuse of resources. Following the investigation, we agreed a number of actions to improve control in relation to the appointment and vetting of staff, and governor oversight of procurement decisions. Following receipt of the report the Chair of Governors has subsequently commissioned an independent governance review of the school with the support of Governor Services.

2.8.6 **Grant Funded Third Sector Organisation** - during quarter 3, we were approached to provide support to the Communities, Equality & Third Sector Team regarding a local charity which has a grant funding relationship with Council. Specifically, we were asked to review the response by the charity to allegations on internal fraud and corruption. This work was completed, and advice provided on what further action we believed should be carried out to ensure the matter was dealt with appropriately,

both in response to the allegations, and to strengthen governance. In addition, the Equality & Third Sector Team have put in place a number of conditions to assure that the charity has sufficient governance processes in place prior to the Council providing further funding.

- 2.8.7 **Cash Theft** - we were contacted by the Early Years & Childcare Strategy Manager in December 2021, advising that some cash payments from parents had been reported missing from a nursery safe. Significant control weaknesses meant that it was not viable to investigate the suspected theft. Instead, our work focussed on reviewing financial controls in place at the setting relating to cash and banking with a subsequent Internal Control Report being issued. This included management actions required to mitigate the risk of future losses. The nursery was also advised to report the loss to the police.
- 2.8.8 **Theft from a Hostel** - a hostel manager made contact with the team following the theft of cash from a locked box and a safe at the hostel. Both incidents had already been reported to the police. We provided the manager with support and advice regarding security of cash and amendments were made to their security procedures. No further incidents have been reported.
- 2.8.9 **False Documents** - advice was provided to the Concessionary Travel Team following a client submitting false documents in an attempt to obtain a bus pass. Following a review of the documents, the bus pass was not issued.
- 2.8.10 **False Remittance Advice** - an investigation was undertaken following the receipt of bogus invoices from a supplier to the Council. Enquiries identified that the invoices had been created and doctored externally to the Council. The supplier was notified, and a referral made to the police.
- 2.8.11 **Adult Social Care** - over the past year we have committed considerable resource to raising awareness to the risk of fraud in Adult Social Care. This has generated a significant increase in the number of cases referred to the team for advice and support. We continue to support the Adult Social Care team with advice in relation to deprivation of capital and potential false statements to obtain direct payments. During the last year advice and support was provided to 23 cases. Of these, 11 have been referred to Legal for further action.

### 3. Proactive fraud prevention and awareness work

3.1 As well as the investigation work referred to above, we continue to be proactive in the identification and prevention of potential fraud and corruption activity across the Authority and in raising awareness amongst staff. The following paragraphs outline some of the proactive work undertaken in the past year.

3.2 The Council has in place a Counter Fraud Strategy that sets out their commitment to preventing, detecting, and deterring fraud. Internal Audit has reviewed the sovereign strategy to align with best practice and to ensure a robust and consistent approach to tackling fraud. The strategy was updated to include revisions to the Fighting Fraud and Corruption Locally framework. The refreshed strategy will be brought to the next committee meeting for approval.

3.3 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified. We have updated the risk assessment to include new and emerging threats. This includes potential threats to payroll, staff frauds relating to home working and the ever increasing cyber threat.

3.4 One of the key controls in fighting fraud is having a strong culture in place with staff vigilant to the threat of fraud. In the past year, Fraud Awareness sessions have been delivered to Health and Adult Social Care staff and the Corporate Debt Team to raise awareness to the risk and indicators of Social Care fraud. Fraud Awareness sessions have also been delivered to Business Operations focussing on the risks to the Council of bank mandate fraud and cyber fraud. In addition, the team have published fraud bulletins raising awareness to emerging threats, in particular risks from the COVID19 pandemic. These have been published on the intranet and shared with high risk service areas. The team continue to monitor intel alerts and work closely with neighbouring councils to share intelligence and best practice.

### National Fraud Initiative

3.5 The results from the biennial National Fraud Initiative exercise, overseen by the Cabinet Office, were received in January. The exercise compared Council records relating to payroll, pensions, creditors, Blue Badges and concessionary travel passes, with data from 1,300 public and private sector organisations used to help prevent and detect fraud and error.

3.6 The exercise identified over 11,000 data matches, which will be investigated for evidence of fraud and error. The results from the initial review of over 4,000 data matches include:

- The cancellation of a housing benefit claim due to an undeclared student status, resulting in an overpayment of £15,256 housing benefit;
- All housing benefit claims to DWP deceased data matches have been cleared with all claims matched already cancelled prior the report being received;
- All Housing waiting list the DWP deceased data matches have been cleared with all individuals being removed from the housing waiting list prior to the matches being received;
- All Resident Parking Permit to DWP deceased data matches have been cleared with no issues identified;
- 31 Concessionary Travel Passes have been cancelled with an estimated saving of £7,608;
- 63 Blue Badges have been cancelled with an estimated saving of £39,675;
- Initial enquiries are underway in respect of 7 cases where it was identified that a Brighton & Hove City Council employee is also on the payroll at another local authority or public body;
- The identification of a duplicate creditor reference resulting in the recovery of a duplicate payment of £758; and
- All payroll to creditor matches have been cleared and no issues identified.

### Partnership working

3.7 We chair a local government fraud forum, comprised of partners from across the South East to discuss emerging threats and share intelligence. The Brighton & Hove Housing Investigators also participate in the Housing Tenancy Forum and Sussex Fraud Officers Group, to share intelligence and review emerging threats in the local area.

#### **4. Housing Tenancy Fraud**

4.1 The CIPFA Fraud & Corruption Tracker places Housing Fraud as the largest threat to local authorities. In response to this, the Housing Service continue to fund investigator resource from the Housing Revenue Account to tackle tenancy fraud and illegal subletting, and to ensure housing is provided to those most in need. The pandemic and working restrictions had significantly impacted on the Housing Investigator's ability to conduct interviews and visits, but we are now working with the Housing Service to progress cases. At the end of 2021/22, three Council properties had been returned to stock.

### Reporting categories for irregularities

<b>Reporting category</b>	<b>Description</b>	<b>Examples (not an exhaustive list)</b>	<b>Legislation / Policies (examples)</b>
False representation	Knowingly making an untrue or misleading representation to make gain, cause loss or expose the Council to the risk of loss	Submitting incorrect expense claims; falsely claiming to hold a qualification	Fraud Act 2006
Failure to disclose information	Intentionally withholding information to make gain, cause loss or expose the Council to the risk of loss	Failing to declare pecuniary interests, or assets as part of a means tested assessment	
Abuse of position	Use of position to act against, or fail to safeguard, the interests of the Council or Surrey's residents	Nepotism; financial abuse of individuals receiving social care	
Theft	Misappropriation of assets (often cash) belonging to the Council or individuals under the Council's care	Removing cash from safes; removing individuals' personal items in care homes	Theft Act 1968
Corruption	Offering, giving, seeking or accepting any inducement or reward which may influence a person's actions, or to gain a commercial or contractual advantage	Accepting money to ensure a contract is awarded to a particular supplier	Bribery Act 2010
False reporting	Intentional manipulation of financial or non-financial information to distort or provide misleading reports	Falsifying statistics to ensure performance targets are met; delaying payments to distort financial position	Theft Act 1968; Financial Regulations; Procurement Standing Orders
Misuse of public funds	The use of public funds for ultra vires expenditure or expenditure for purposes other than those intended	Officers misusing grant funding; individuals misusing social care direct payments	
Procurement	Any matter relating to the dishonest procurement of goods and services by internal or external persons	Breach of the Procurement Standing Orders; collusive tendering; falsifying quotations	
Misconduct	Failure to act in accordance with the Code of Conduct, Council policies or management instructions	Undertaking additional work during contracted hours; inappropriate	Code of Conduct;

		use of Council assets and equipment	IT Security Policy
Poor Control	Weak local or corporate arrangements that result in the loss of Council assets or a breach of Council policy	Storing a key to a safe in the immediate vicinity of the safe	





# Brighton & Hove City Council

## Audit & Standards Committee

## Agenda Item 9

**Subject:** Formal approval of the Annual Governance Statement 2021-2022

**Date of meeting:** 28<sup>th</sup> June 2022

**Report of:** Executive Director, Governance, People & Resources

**Contact Officer:** Name: Kat Brett  
Tel: 01273 293846  
Email: kat.brett@brighton-hove.gov.uk

**Ward(s) affected:** All

### For general release

#### 1. Purpose of the report and policy context

- 1.1 This report shows the city council's governance arrangements and requests that the Committee approves the Annual Governance Statement (AGS) 2021-2022.
- 1.2 The responsibilities of the Audit & Standards Committee in the Council's Constitution include:
  - i. Considering the annual review of the effectiveness of the system of internal control required by regulation 3 of the Accounts and Audit Regulations 2015; and
  - ii. Approving the Annual Governance Statement prepared in accordance with regulation 6 of the above Regulations.

#### 2. Recommendations

- 2.1 That Audit & Standards Committee formally approve the Annual Governance Statement 2021-2022 in Appendix 1, so that the AGS may be signed by the City Council's Leader and the Chief Executive before publication alongside the City Council's Accounts.

#### 3. Context and background information

- 3.1 Good corporate governance in Brighton & Hove City Council is about doing the right things in the right way. It is about:
  - The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved

- How the council makes sure it does the right things in the right way for the right people
  - Establishing and following robust systems and processes
  - Demonstrating effective leadership, including accountability and transparency in actions and decisions
  - Creating a culture based on openness, inclusivity and honesty
  - Keeping our focus on the needs of service users and the public, ensuring public money is safeguarded, accounted for and used efficiently and effectively
  - Ongoing continuous improvement to further strengthen the way the council operates
- 3.2 We have used the CIPFA/SOLACE guidance refreshed in 2021 to comply with the Good Governance Framework which sets our seven core principles to achieve good governance as follows:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - B. Ensuring openness and comprehensive stakeholder engagement
  - C. Defining outcomes in terms of sustainable economic, social and environmental benefits
  - D. Determining the interventions necessary to optimise the achievement of the intended outcomes
  - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
  - F. Managing risks and performance through robust internal control and strong public financial management
  - G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.
- 3.3 Overall, we have received 'reasonable assurance' for our governance arrangements in 2021/22. In this context 'reasonable assurance' means that arrangements are in place to manage key risks and to meet good governance principles, but there are one or more areas where improvements are required.
- 3.4 The key actions we need to undertake in 2022/23 to further strengthen our governance are:
- 1. Taking account of new ways of working, including governance and control changes in a post-Covid financial environment, undertake an assessment of compliance with the Financial Management Code
  - 2. Continue to develop and implement a pro-active strategy to improve industrial relations in conjunction with recognised trade unions
  - 3. Continue to implement improvements in Housing, in line with internal audit actions and other improvement plans
  - 4. Strengthen procurement and contract management skills, compliance and knowledge across directorates through improved training, awareness, systems and monitoring.

5. Working with all services across the organisation, improve compliance in relation to information rights cases (Freedom of Information, Subject Access Requests, Data Protection)

#### **4. Analysis and consideration of alternative options**

- 4.1 Reflecting the CIPFA guidance of 2021, we have taken the opportunity to review the content and format of our Annual Governance Statement and compare it with those of other authorities, including our CIPFA peer group. We consider that our approach accords with the CIPFA guidance, is backed up by our embedded operating arrangements, is proportionate and evidences good governance.

#### **5. Community engagement and consultation**

- 5.1 This is an internal matter to comply with legislation and as such no engagement or consultation has been undertaken in this regard.

#### **6. Conclusion**

- 6.1 This Report provides reassurance regarding the Council's commitment to implementing the actions identified in the Annual Governance Statement and the arrangements put in place to monitor progress through regular review of Directorate Plan actions.

#### **7. Financial implications**

- 7.1 Sound corporate governance and proper systems of internal control are essential to the financial health and reputation of the council. The resources required to implement the actions outlined to strengthen the governance arrangements are provided for in the agreed 2022/23 budget and will inform the preparation of the 2023/24 budget. The council's response to the Covid-19 pandemic has tested the governance arrangements and the council has adapted decision making including additional committee and sub-committee meetings and the reporting of the use of urgency powers, to ensure proper oversight is maintained. The lessons learned from this ongoing experience will be used to inform recommendations for governance going forward.

Name of finance officer consulted: James Hengeveld

Date consulted: 24/05/2022

#### **8. Legal implications**

- 8.1 The Council is responsible for ensuring that it conducts its business in accordance with the Accounts and Audit Regulations 2015. It has delegated to its Audit & Standards Committee responsibility for (amongst other things) reviewing the outcome of the annual review of governance arrangements and formally approving the Annual Governance Statement. In this way, the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 are met by a Committee of the Council designated for this purpose.

Name of lawyer consulted: Victoria Simpson  
Date consulted: 26/05/2022

## **9. Equalities implications**

- 9.1 The Annual Governance Statement links to the Performance Management Framework through which as an organisation we have an oversight of our progress in becoming a more fair and inclusive council. The Corporate Equalities Delivery Group has the governance oversight of the Fair & Inclusive corporate modernisation programme linked to Directorate Equalities Delivery Groups. Policy & Resources Committee receive progress updates on our fair & inclusive work, corporate key performance indicators linked to staff protected characteristics and customer insight linked to equalities data.

## **10. Sustainability implications**

- 10.1 The AGS links to the Performance Management Framework through which we have an oversight of our progress in becoming a more sustainable organisation. This is managed through the Carbon Neutral corporate modernisation programme, carbon neutral strategic risk (SR36), carbon neutral corporate key performance indicator and actions to reduce carbon footprint, which are included in the Directorate Plans.

## **11. Other Implications**

- 11.1 None

## **Supporting Documentation**

### **Appendices**

1. Draft Annual Governance Statement 2021-2022



# Annual Governance Statement

DRAFT

2021/22



**Brighton & Hove  
City Council**

# Certification

To the best of our knowledge, the Annual Governance Statement outlines the effective governance arrangements operating during the year, with areas identified for improvement.

We will continue to further strengthen our governance arrangements, monitor the implementation of the actions set out in this statement through the performance monitoring process and report the progress we have made in our next annual review.

Signed:

Signed:

Councillor Phélim Mac Cafferty,  
Leader of the Council

Geoff Raw,  
Chief Executive Officer

Date: XX XXX 2022

Date: XX XXX 2022

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# Annual Governance Statement (AGS)

## Purpose

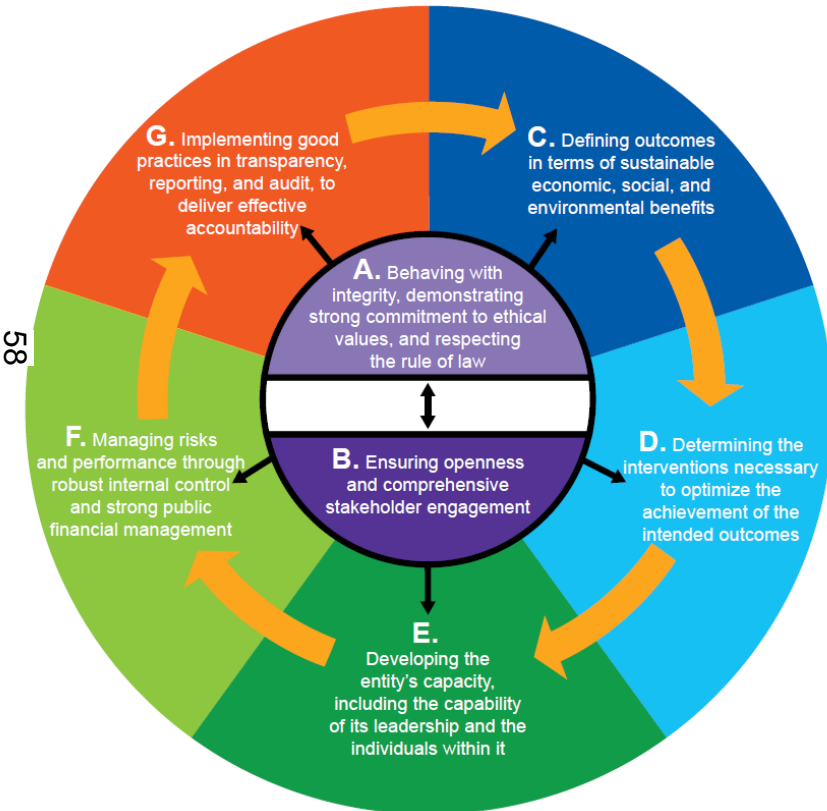
- To fulfil the statutory requirement for each local authority to conduct a review of its system of internal control and prepare and publish an AGS at least once every financial year
- To demonstrate that there is a sound system of governance (incorporating the system of internal control)
- To outline our progress in 2021-22 and help us take further actions to improve governance for delivery in 2022-23
- The focus of the AGS is on assessing our governance arrangements, rather than assessing our performance.



# What is Corporate Governance?

- The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved
- How the council makes sure it does the right things in the right way for the right people
- Establishing and following robust systems and processes
- Demonstrating effective leadership, including accountability and transparency in actions and decisions
- Creating a culture based on openness, inclusivity and honesty
- Keeping our focus on the needs of service users and the public, ensuring public money is safeguarded, accounted for and used efficiently and effectively
- Ongoing continuous improvement to further strengthen the way the council operates

# The 7 principles of Good Governance



- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcome
- E. Developing the entity's capacity including the capacity of its leadership and with individuals within it
- F. Managing risks and performance through robust internal control and strong financial management
- G. Implementing good practice in transparency, reporting and audit to deliver effective accountability

# The process for sign off of the AGS

59

The Audit Manager, Assistant Director for Customer, Modernisation & Performance Insight and programme manager responsible for risk management regularly share and consider service delivery challenges to inform the first draft of the AGS.

The Governance Assurance Meeting consider the draft in advance of the Executive Leadership Team reviewing the draft particularly agreeing future actions to strengthen governance.

The revised draft is then reviewed by the Leader of the Council in advance of the agreement by the Audit & Standards Committee meeting.

The final version is signed off by the Leader of the Council and the Chief Executive.

Future actions are included in the relevant Directorate Plans for regular monitoring as part of the Performance Management Framework

# Opinion of Internal Audit for 2021/22

Based on the internal audit work completed, the Chief Internal Auditor can provide

**Reasonable Assurance\***

that Brighton & Hove City Council has in place an adequate and effective framework of governance, risk management and internal control for the period of  
1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022

Chief Internal Auditor, Russell Banks  
Audit Manager, Carolyn Sheehan

\* Assurance can never be absolute. In this context 'reasonable assurance' means that arrangements are in place to manage key risks and to meet good governance principles, but there are one or more areas where improvements are required.

# Actions focused on strengthening governance in 2022/23

## What we will do

Taking account of new ways of working, including governance and control changes in a post-Covid financial environment, undertake an assessment of compliance with the Financial Management Code

## Lead Officer (Committee)

Chief Finance Officer  
(Audit & Standards Committee)

Continue to develop and implement a pro-active strategy to improve industrial relations in conjunction with recognised trade unions

Director, Human Resources & Organisational Development  
(Policy & Resources Committee)

Continue to implement improvements in Housing Needs and Temporary Accommodation, in line with internal audit actions and other improvement plans

Executive Director, Housing, Neighbourhoods & Communities  
(Housing Committee)

Strengthen procurement and contract management skills, compliance and knowledge across directorates through improved training, awareness, systems and monitoring.

Chief Finance Officer  
(Policy & Resources Committee)

Working with all services across the organisation, improve compliance in relation to information rights cases (Freedom of Information, Subject Access Requests, Data Protection)

Executive Director, Governance, People & Resources  
(Policy & Resources Committee)

# Appendix 1 Progress on 2020/21 actions

AGS 2020/21 Actions	Lead Officer (Committee)	Directorate Plan 2021/22 Actions	Q4 Status*
Undertake an assessment of compliance with the Financial Management Code and take forward identified improvement actions to the Policy & Resources Committee	Chief Finance Officer (Audit & Standards Committee)	Undertake an assessment of compliance with the Financial Management Code and take forward identified improvement actions [GPR]	RED ↔
Coordinate CIPFA review of Audit & Standards Committee and enable implementation of recommended actions	Chief Executive Officer (Audit & Standards Committee)	Coordinate an independent review of the council's Audit & Standards Committee, led by CIPFA, and enable implementation of recommended actions [GPR]	GREEN ↔
Manage the impact of Covid-19	Executive Director Economy, Environment & Culture (Policy & Resources Recovery Sub-Committee)	Modernisation programme - Deliver the Covid Recovery & Renewal programme [SRO from GPR; ELT Sponsor from EEC]	GREEN ↔

\*Direction of travel compared to Q3 2021-22: ↑ improving ↓ declining ↔ no change [FR] Finance & Resources. [GPR] Governance, People & Resources. [EEC] Economy, Environment & Culture.

AGS 2020/21 Actions	Lead Officer (Committee)	Directorate Plan 2021/22 Actions	Q4 Status*
Continue to work to improve relationship with Trade Unions	Chief Executive Officer (Policy & Resources Committee)	To continue to develop and implement a proactive strategy to improve industrial relations in conjunction with recognised trade unions [GPR]	AMBER ↔
63 Implement improvements in Housing, including the Temporary Accommodation and the Housing Repairs services, in line with internal audit actions and other improvement plans	Executive Director, Housing, Neighbourhoods & Communities (Housing Committee)	Develop a strategy for the provision of council run temporary accommodation including Seaside Homes, and to 'replace privately run temporary and emergency accommodation with council owned properties' [HNC]	GREEN ↔
		Ensure the new repairs and maintenance service meets the needs of tenants and leaseholders so that 'over time we aim to reduce costs by directly employing staff and building stable teams to work on council projects' [HNC]	RED ↔
		Align Housing Needs and Rough Sleeper commissioning to encompass the post pandemic landscape to eliminate rough sleeping, homelessness and reduce the need for Temporary Accommodation [HNC]	AMBER ↔

\*Direction of travel compared to Q3 2021-22: ↑ improving ↓ declining ↔ no change

[GPR] Governance, People & Resources. [HNC] Housing, Neighbourhoods & Communities.

# Appendix 2 Performance Management Framework

Best Value Authorities are under a general Duty of Best Value to “make arrangements to secure **continuous improvement** in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.”

The eight elements of the Performance Management Framework allow us to understand the performance of the council as a whole which will give us better context in which we are operating. The elements are inter-related; most services contribute to every element in the framework.

The Performance Management Framework sets out to ensure:

- strong leadership at all levels which is consistent and fair and challenges blame culture
- commitment to the accountability that has been assigned to individuals
- the right information reaching the right people at the right time so that decisions are made and actions are taken
- ongoing evaluation, review and learning to help improve future performance
- the ability to identify and commitment to rectify poor performance at an early stage





# Performance Insight

## Improvements / good performance



Improved staff survey results



Improved digital offer for customers



Improved 'Fair & Inclusive: services and workforce' governance

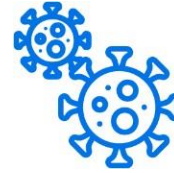


Maintain sickness absence at target levels



Delivery of Eclipse modernisation programme (social care IT system)

## Priority areas for focus



Covid-19 response and recovery



Financial sustainability of demand led services



Managing the risks associated with climate change



Customer Experience particularly from high transaction services (city environment, council tax, housing, parking) and complaints response time

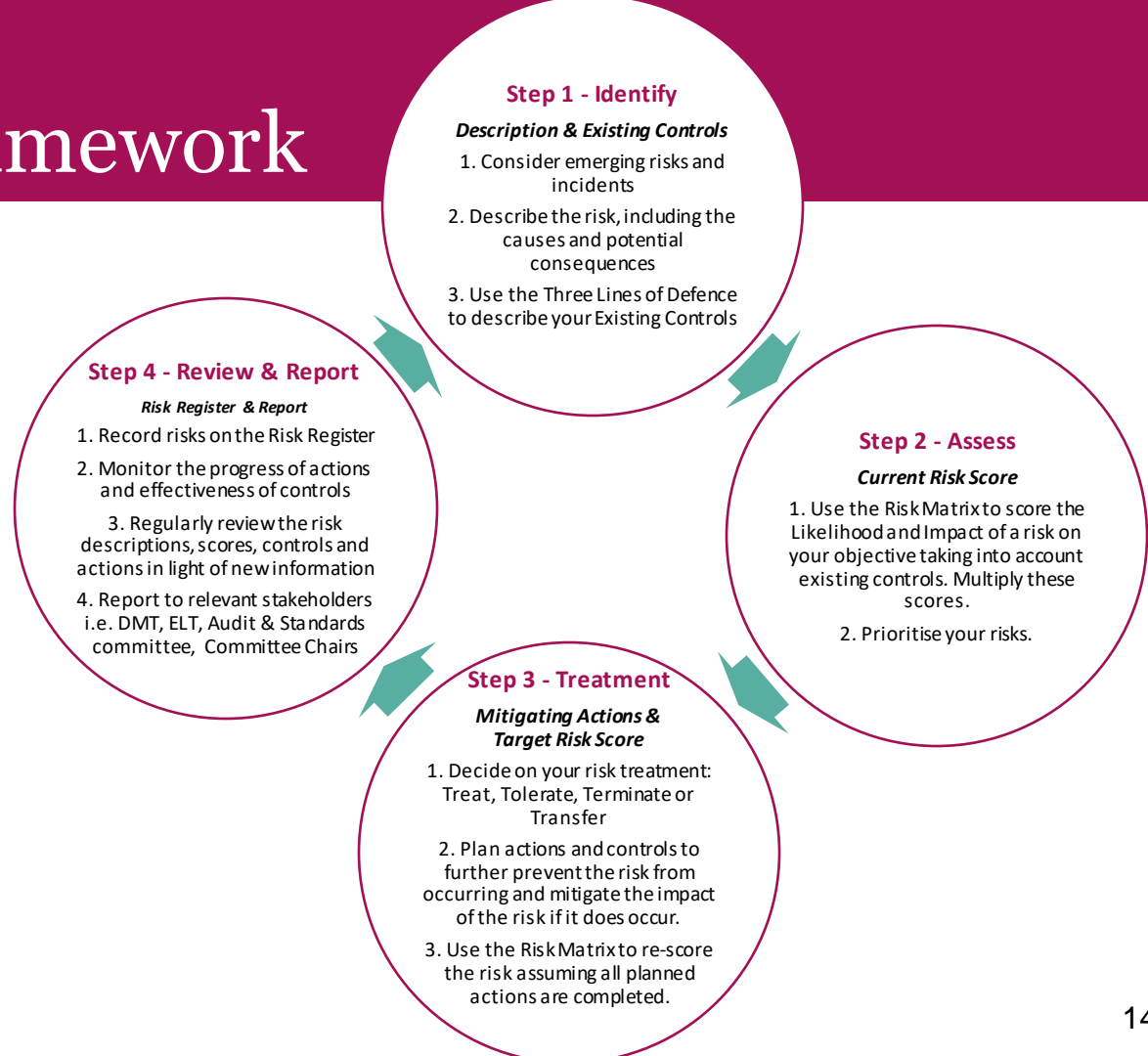


Improved quality and recording of PDP discussions

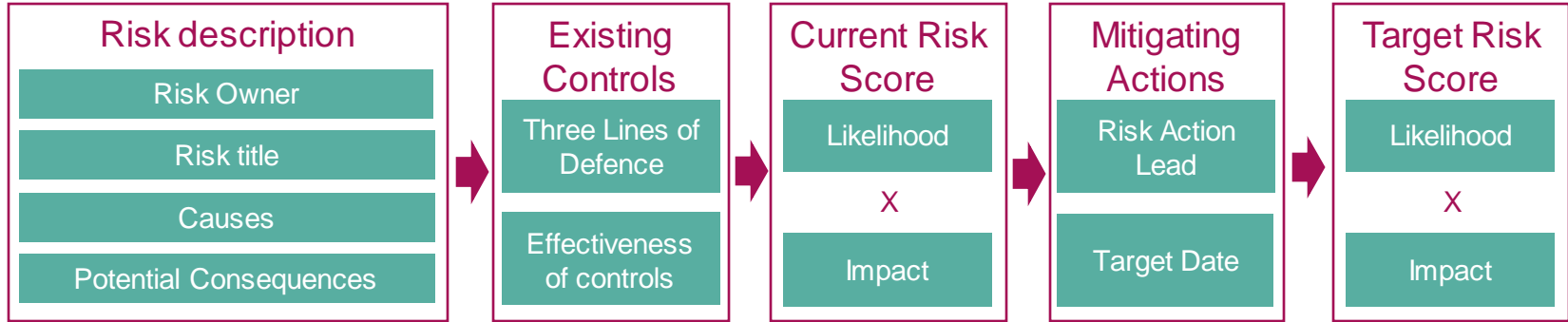
# Appendix 3 Risk Management Framework

## Risk Management Process

There are four steps in the risk management process – identify the risk, assess the risk, decide on the risk treatment, and review and report on the risk.



# Risk Management Approach



Risks are prioritised by assigning risk scores 1-5 to the likelihood of the risk occurring, and the potential impact if the risk should occur. These are multiplied to give a total risk score.

The Strategic Risk Register mostly includes high (red) and significant (amber) risks. Directorate Risk Registers are likely to include high, significant, moderate (yellow) and low (green) risks.

Risk Owners are asked to consider whether to treat, tolerate, terminate or transfer the risk. Risk actions should reduce the likelihood and/or impact – if neither are true, there will not be any reason to undertake the action.

LIKELIHOOD	Almost certain (5)	5	10	15	20	25
	Likely (4)	4	8	12	16	20
	Possible (3)	3	6	9	12	15
	Unlikely (2)	2	4	6	8	10
	Almost impossible (1)	1	2	3	4	5
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
		IMPACT				

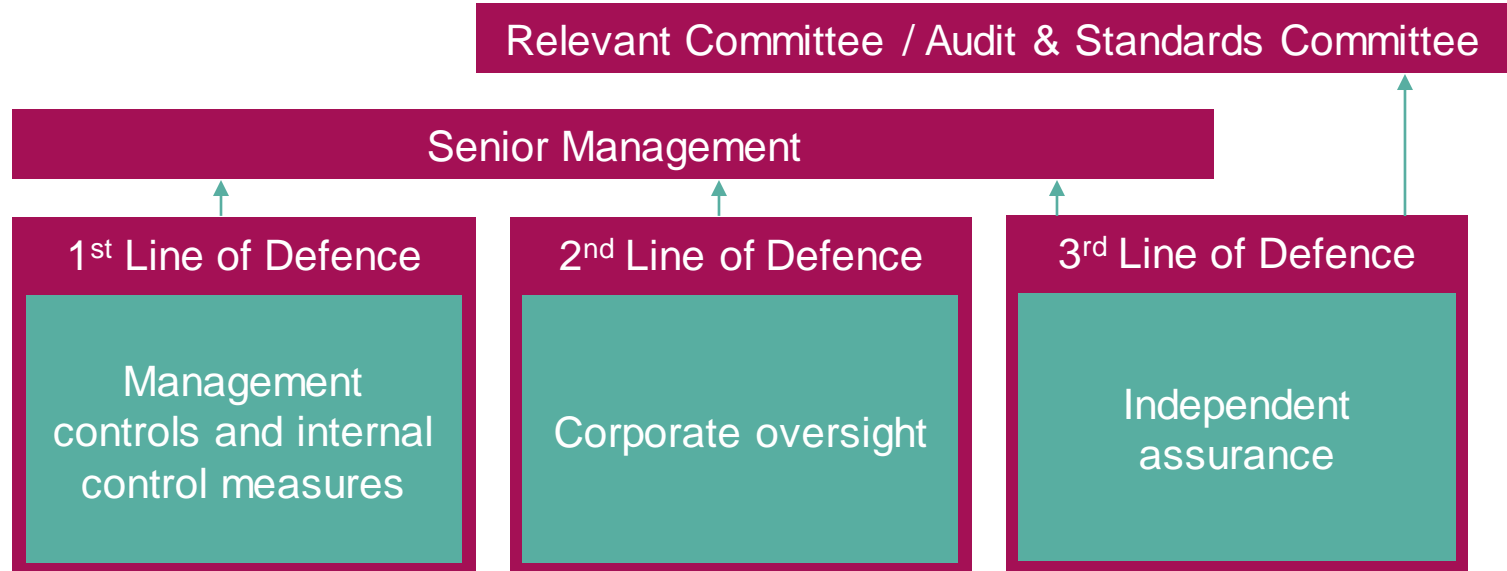
# Risk scoring & levels

- The level of a risk will depend on the scope, scale of potential impact and the type of response required. Risks can be escalated or de-escalated between levels through reviews.
- Scoring should be a realistic assessment without optimism bias.
- The **current score** is with existing controls in place and the **target score** is with completed mitigating actions.
- The target score needs to be realistic and take into account the uncertainty of the risk and resources available to deliver actions so can sometimes remain a high 'red' score.
- However, the purpose of scoring is to prioritise risks to ensure resources are allocated to the most significant risks. Heat maps are a helpful way to see how risk scoring compares.

Level & Risk Owner	What makes this type of risk?	Oversight
<u>Strategic Risk (SR)</u>  A member of Executive Leadership Team (ELT)	*Affects multiple directorates/ organisations  *Impacts on achievement of the Corporate Plan  *Requires cross-directorate response	Audit & Standards Committee  Relevant Committees  External & Internal Audit  Executive Leadership Team
<u>Directorate Risk (DR)</u>  A member of a Directorate Management Team (DMT)	*Affects multiple services/ departments  *Impacts on achievement of the Directorate Plan  *Requires directorate level response	Relevant Committees  Internal Audit  Executive Leadership Team  Directorate Management Team
<u>Service/Team Risks</u>  Head of Service or Team Leader	*Limited to individual team/ service  *Impacts on achievement of the service's plan and objectives  *Response can be managed within service	Directorate Management Team  Heads of Service
<u>Programme/Project Risks</u>  A member of Programme/Project Board	*Impacts on achievement of the Programme/Project's objectives  *Response can be managed within Programme/Project	Corporate Modernisation Delivery Board or ELT  Directorate Modernisation Board or DMT  Programme/Project Board

# Three Lines of Defence Model

Existing controls are set out using the Three Lines of Defence model.



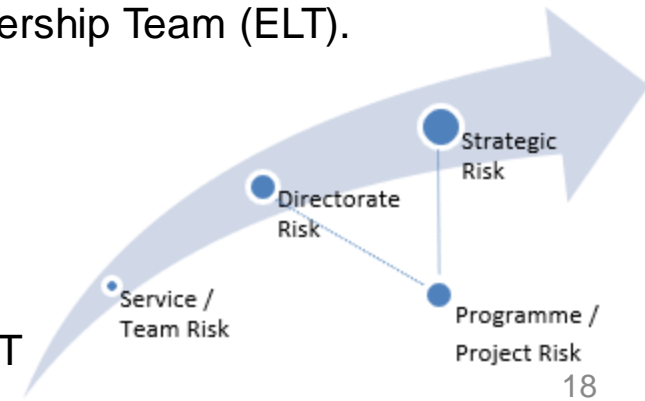
Involves those who know the business, culture and day to day challenges

Involves those responsible for delivery and not independent of the management chain (senior management, boards and committees)

Internal audit, external audit and regulators

# Assurance and escalation of risks

- Our Corporate Risk Assurance Framework uses the 'three lines of defence model' to assess the effectiveness of how we manage organisational risks.
- Audit & Standards Committee have oversight of the risk management framework.
- Strategic risks are owned by an Executive Leadership Team (ELT) lead. ELT leads are responsible for discussing strategic risks with the relevant committee chairs with a view to mitigating these as appropriate.
- Any member can approach an ELT lead with risks that they foresee for them to take account of it in their risk review sessions.
- Strategic risks are reviewed regularly by the Executive Leadership Team (ELT).
- Directorate and strategic risks are reviewed regularly by Directorate Management Teams (DMTs); risk registers are live documents. Suggested amendments to strategic risks and the Directorate Risk Registers are reported to ELT as part of their risk review.
- All officers are expected to escalate risks to the relevant DMT lead. Risk management training is available to all officers.



# Appendix 4 Strategic Risk Analysis

Independent assurances of the strategic risks\* are represented in the third line of defence. We link strategic risks to the Good Governance principles as a framework to provide assurance on our activity to deliver our corporate objectives.

## Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

### Strategic Risk

SR13 Not keeping adults safe from harm and abuse.

### Independent assurance

1. For the council's in-house registered care services Care Quality Commission (CQC) Inspections on an on-going regular basis.
2. CQC's programme of inspections of all registered care providers are published weekly and available on CQC's website. These are monitored for local relevance by the council's Quality Monitoring team.
3. Brighton & Hove Safeguarding Adults Board (BHSAB) is independently chaired and meets quarterly with the three statutory agencies for city wide safeguarding assurance.
4. Internal Audit
  - \* 2021/22: HASC Modernisation Programme (Reasonable Assurance), Direct Payments (Partial Assurance), Home Care (Reasonable Assurance)
  - \* 2020/21: Hospital discharge arrangements (Reasonable Assurance), Care System Replacement Project – Eclipse (Reasonable Assurance)
  - \* 2019/20: Joint Commissioning (Reasonable Assurance), HASC Temporary Accommodation (Reasonable Assurance), Extra Care Housing (Partial Assurance)

# Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

## Strategic Risk

SR15 Not keeping children safe from harm and abuse.

## Independent assurance

1. Ofsted inspections of social work practice under the ILACS arrangements. Full inspection July 2018 - overall judgement was 'Good'. Action plan developed to take forward recommendations, most recently reported to CYPS Committee in September 2021.
2. Ofsted Focused visit under ILACS framework February 2020 looking at services to children in need and children with child protection plans. Ofsted noted continued improvement made since 2018 inspection.
3. National Probation Inspectorate statutory inspection of the city's Youth Offending Service April 2021 - Outstanding grading across every domain.
4. Annual Engagement Meeting (AEM) with Ofsted HMI for social care and education. Held in February 2021 and covered social care, special educational needs and education, including early years and further education & skills. AEM for 2022 scheduled for June
5. Local Government Association (LGA) review of Early Help processes January 2020. Recommendations will be taken forward as part of a wider city wide Early Help review during 2021/22.
6. The Brighton & Hove Safeguarding Children's Partnership (BHSCP) commissions Independent Scrutiny (IS) for the partnership, whose role and function is to provide external challenge to the business of the partnership, its meetings, subgroups and priorities.
7. Internal audit:
  - \* 2021/22: Child Disability Agency Placements (Reasonable Assurance)
  - \* 2020/21: Education, Health and Care Plans (Reasonable Assurance), Care System Replacement Project – Eclipse (Reasonable Assurance)
  - \* 2019/20: Care Leavers (Reasonable Assurance), Joint Commissioning (Reasonable Assurance).



# Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

## Strategic Risk

## Independent assurance

1. Post Grenfell tragedy (June 2017) information required by Ministry of Housing Communities and Local Government (MHCLG) in relation to council owned blocks was provided. The Council provide data to MHCLG on private sector blocks visual inspections.
2. East Sussex Fire & Rescue Service (ESFRS) Regulatory Reform (Fire Safety) Order - ESFRS undertake citywide audits according to a prioritised programme which includes a range of council buildings. No inspections of council buildings have led to the need for enforcement action. All Council high rise buildings have been visited by ESFRS.
3. A Notice of Contravention issued by the HSE in response to their investigation into the fatality in a school Feb 2019 outlined necessary action. The council have responded to the NOC and no further comment has been provided by the HSE.
4. HSE Control of Vibration unannounced inspection in City Parks in October 2017, linked to national focus on work related health. Areas for improvement identified which has led to development of an action plan with assigned leads and timescales for action. HSE responded to RIDDOR reports specifically on vibration in March 2018 visiting City Parks and City Clean. A request for an update on progress was responded to in October 2020.
5. After Inquest re. fatality of a council employee in 2018 the BHCC Coroner issued a Regulation 28: Report to Prevent Future Deaths in March 2019. Head of Health & Safety and Senior Lawyer prepared a letter in response to outline the activity of the council to address the issues raised within the Regulation 28 Report, and our plans to address the long-term corporate issues. This is managed through the Health & Safety Strategic Action Plan.
6. Royal Society for the Prevention of Accidents (RoSPA) undertook an independent audit of BHCC's health and safety framework and arrangements between 1-3rd and 10th December 2020. Final report issued from RoSPA February 2021. Key elements from the RoSPA report have been included in the strategic action plan.
7. Ofsted and CQC undertake statutory audits of schools, educational settings and care homes and care services.
8. Internal audit:  
\* 2021/22: Property and Design - Corporate Landlord (Reasonable Assurance)

SR32 Challenges in ensuring robust & effective health & safety measures, leading to personal injury, prosecution, financial losses, or reputational damage

# Good Governance Principle B: Ensuring openness and comprehensive stakeholder engagements

## Strategic Risk

**SR30** Not fulfilling the expectations of residents, businesses, government and the wider community that Brighton & Hove City Council will lead the city well and be stronger in an uncertain environment

## Independent assurance

1. External Audit reviews of financial position of the city council - June 2019.
2. Inspectorate reports e.g. Ofsted 2018 - Children's Services - Good Judgement; and Ofsted focused visit in February 2020 looking at services to children in need and child protection plans resulted in positive comment.
3. LGA peer review Equality Framework for Local Government.
4. Investigatory Powers Commissioner – reviewed the use of investigatory powers (2018)
5. Internal Audit
  - \* 2021/22: Major Capital Projects - Brighton Centre / Black Rock (Reasonable Assurance)
  - \* 2019/20: Brighton Centre (Reasonable Assurance)

**SR37** Adverse impact on health outcomes and business continuity from high levels of disease transmissions and pandemics in the city

1. The Local Government Association (LGA) Peer Review visit on 29 March 2021 included the council's arrangements to recover from the pandemic.
2. Internal Audit & Counter Fraud work on Business Grants and certification of other Covid Grants in accordance with central government department requirements.
  - \* 2021/22: Traffic Demand Management (Grant Certified), Covid-19 Emergency Active Travel (Grant Certified)
  - \* 2019/20: Public Health (Reasonable Assurance)

# Good Governance Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

## Strategic Risk

## Independent assurance

**SR21** Unable to manage housing pressures and deliver new housing supply

1. Internal Audit:
  - \* 2020/21: Temporary Accommodation (Minimal Assurance), Housing Management System Implementation (Partial Assurance)
  - \* 2019/20: Housing Allocations (Substantial Assurance)
2. Department for Levelling Up, Housing and Communities information returns.
3. Homes England (HE) information returns where we have HE grant allocations. HE grant for homeless move on accommodation – regular updates to HE on scheme progress and draw down on grant.

**SR24** The council is unable to provide an effective welfare support response to households facing financial hardship.

1. Internal Audit:
  - \* 2021/22: Welfare Discretionary Funding (Reasonable Assurance), Housing and Council Tax Benefits (Substantial Assurance).
2. Department for Work & Pensions (DWP) oversee the Household Support Fund
3. Department of Health & Social Care (DHSC) oversee the Contain Outbreak Management Funding (COMF)

**SR36** Not taking all actions required to address climate and ecological change and transitioning our city to carbon neutral by 2030

1. Environment Agency (EA) in respect of flooding and monthly reports made to EA on how the city council spends the monies received from EA includes schemes such as coastal protection; Property Level Protection; sustainable urban drainage SPG (policy); Strategic Flood Risk Assessment.
2. Internal Audit acts as first level controller to support three EU funded projects part of whose remit is to address some elements of this risk. These are Solar Adoption Rise In the 2 Seas (Solarise), Shaping Climate change Adaptive Places (SCAPE) and Sustainable Housing Initiatives in Excluded Neighbourhoods (SHINE). All claims during 2020/21 were certificated in accordance with EU processes.

# Good Governance Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

## Strategic Risk

**SR18** The organisation is unable to deliver its functions in a modern, efficient way due to the lack of investment in and exploitation of technology

## Independent assurance

### 1. Internal Audit:

- \* 2021/22: MCM Housing Repairs Application (Reasonable Assurance), Public Sector Bodies - Website & Mobile Applications - Accessibility Regulations (Partial Assurance)
- \* 2020/21: Care System Replacement Project – Eclipse (Reasonable Assurance), Housing Management System Implementation (Partial Assurance), Cloud Computing (Reasonable Assurance), IT Access Management (Partial Assurance)
- \* 2019/20: Mobile Device Management (Reasonable Assurance), Surveillance Cameras (Partial Assurance)

# Good Governance Principle E: Developing the entity's capacity including the capacity of its leadership and with individuals within it

## Strategic Risk

## Independent assurance

SR2 The Council is not financially sustainable in the medium term

1. Annual review last reported in December 2021 by external auditors of Value for Money (VfM) arrangements leading to an opinion in the annual audit report concluded there were no governance issues to report and arrangements to secure VfM and the council's use of resource were reasonable.

2. Internal audit reviews:

\* 2021/22: Accounts Payable (Reasonable Assurance), City Clean Expenditure (Reasonable Assurance), Capital Programme (Reasonable Assurance)

\* 2020/21: Budget Management (Substantial Assurance), Payroll (Reasonable Assurance), Business Rates (Reasonable Assurance), Accounts Receivable (Partial Assurance), Council Tax (Reasonable Assurance).

\* 2019/20: Main Accounting System (Substantial Assurance), Treasury Management (Reasonable Assurance), Purchasing Card System (Reasonable Assurance), BACS Payment Arrangements (Reasonable Assurance), Care Payments (Substantial Assurance), Adult Social Care Income (Reasonable Assurance), Housing Rents (Reasonable Assurance).

SR25 Insufficient organisational capacity or resources to deliver all services and respond to changing needs and changing circumstances

1. Local Government Peer Review 2017 focused on Leadership and Industrial Relations.

2. Internal Audit

\* 2021/22: Performance Review Compliance - PDPs and 1 to 1s (Partial Assurance), Agency Staff Contract (Reasonable Assurance)

\* 2020/21: Recruitment (Reasonable Assurance), Working Time Directive (Partial Assurance)

# Good Governance Principle F: Managing risks and performance through robust internal control and strong financial management

## Strategic Risk

78  
**SR10** Corporate information assets are inadequately controlled and vulnerable to cyber attack

**SR29** Procurement non-compliance and ineffective contract performance management leads to sub-optimal service outcomes, financial irregularity and losses, and reputational damage

## Independent assurance

### 1. Internal audit:

- \* 2021/22: Email Communication - personal and sensitive encryption (Reasonable Assurance), DWP/Searchlight System Security Compliance (Reasonable Assurance), PIER Application Control (Reasonable Assurance), Information Governance - Remote Working (Reasonable Assurance), IT Access Management (Reasonable Assurance), Network Security (Reasonable Assurance),
  - \* 2020/21: Cyber Security (Reasonable Assurance), IT Asset Management during Covid 19 (Reasonable Assurance), GDPR (Reasonable Assurance), Housing Management System Implementation (Partial Assurance)
  - \* 2019/20: ICT Compliance Framework (Reasonable Assurance), Mobile Device Management (Reasonable Assurance), Purchasing Card System (Reasonable Assurance), Main Accounting System (Substantial Assurance)
2. IT Health Check (ITHC) performed by a 'CHECK'/'CREST' approved external service provider – covering both applications and infrastructure assurance. The ITHC approach has been updated to include one standard annual check and one targeted solution specific check (e.g. the mobile service).
3. Continued assurance from compliance regimes, including Public Sector Network (PSN) CoCo (Code of Connection); NHS Digital Data Security and Protection (DSP) Toolkit; and Payment Card Industry Data Security Standard (PCI DSS).

### 1. Internal Audit:

- \* 2021/22: Procurement Compliance – Phase 1 & 2 (Minimal Assurance), Highways Contract Management (Reasonable Assurance), Highways Maintenance (Reasonable Assurance)
- \* 2019/20: Contract Collusion (Reasonable Assurance), Grants to community and voluntary organisations (Reasonable Assurance)

## Good Governance Principle G: Implementing good practice in transparency, reporting and audit to deliver effective accountability

The Strategic Risk Register is reviewed by the Directorate Management Teams, Executive Leadership Team and Audit & Standards Committee quarterly. The Strategic Risk Register is available to view by staff on the council intranet and by the public in the report pack for committee meetings.

# Appendix 5 Policies, Processes & Strategies

Whilst many of our policies, processes and strategies link to many of the Good Governance Principles, below are those that are particularly relevant.

## Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- Constitution
- Code on Officer/Member Relations
- Behaviour Framework which includes council values
- BHCC Anti-Fraud & Corruption Strategy and Framework



## Good Governance Principle B: Ensuring openness and comprehensive stakeholder engagements

- Customer Experience Strategy
- Sustainable Communities Strategy
- Freedom of Information and Subject Access Request

## Good Governance Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

- Corporate Plan
- Economic Strategy
- Carbon Reduction Programme
- Medium Term Financial Strategy

## Good Governance Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

- Financial Regulations & Standard Financial Procedures
- Modernisation Portfolio of Change Projects and Programmes
- Contract Standing Orders

## Good Governance Principle E: Developing the entity's capacity including the capacity of its leadership and with individuals within it

- Human Resources Policies
- Fair & Inclusive Action Plan (which includes equalities work with city partners)
- Staff and Member Training
- Scheme of Delegation

## Good Governance Principle F: Managing risks and performance through robust internal control and strong financial management

- Risk Management Process part of Performance Management Framework
- Information Governance Board
- Health & Safety Policies
- Whistleblowing Policy

## Good Governance Principle G: Implementing good practice in transparency, reporting and audit to deliver effective accountability

- Performance Management Framework
- Internal Audit Plan

# Appendix 6 Bodies created by BHCC or those which we are in partnership with

- Sussex Integrated Care Board
- The Royal Pavilion & Museums Trust
- Brighton Dome and Festival Limited
- Brighton and Hove Estates Conservation Trust
- Brighton and Hove Music Trust
- Brighton and Hove Seaside Community Homes Ltd
- Gorham's Gift
- The Brighton Fund
- The West Pier Trust Board

BHCC appoints members to a range of other external bodies and partnerships as a means of discharging the council's functions across the area of Brighton & Hove. A complete list of appointments is available in the papers of annual Council, which are published on the council's website.

Those external bodies include the East Sussex Fire Authority, which is a combined fire authority made up of members of its two constituent authorities: East Sussex County Council and BHCC, and the Police & Crime Panel; a joint committee which monitors and supports the Police and Crime Commissioner.

# Brighton & Hove City Council

## Audit & Standards Committee

## Agenda Item 10

**Subject:** Independent External Assessment of Orbis Internal Audit

**Date of meeting:** 28 June 2022

**Report of:** Executive Director, Governance, People and Resources

**Contact Officer:** Russell Banks  
Tel: 07824 362739  
Email: Russell.banks@eastsussex.gov.uk

**Ward(s) affected:** All

**For general release**

### **1. Purpose of the report and policy context**

- 1.1 To obtain approval from the Audit & Standards Committee to commission the Chartered Institute of Internal Auditors to undertake the independent external assessment of Orbis Internal Audit in accordance with Public Sector Internal Audit Standards (PSIAS).

### **2. Recommendations**

- 2.1 That Committee approve the appointment of the Chartered Institute of Internal Auditors to carry out the independent external assessment of Orbis Internal Audit in accordance with Public Sector Internal Audit Standards (PSIAS).

### **3. Context and background information**

- 3.1 The PSIAS are the standards that govern the delivery of Internal Audit in local government, which recommend that internal audit teams commission an external examination of their internal self-assessment process by a qualified, independent assessor or assessment team at least once every five years.
- 3.2 The last such review of Orbis Internal Audit was completed in 2018, the first year of the partnership's formation, by the South West Audit Partnership. The review team at the time concluded that Orbis Internal Audit 'generally conforms with the Standards and the Code of Ethics', representing the highest level of conformance available.
- 3.3 The next review is therefore due before the end of March 2023 and it is now proposed to commission the Chartered Institute of Internal Auditors (IIA) to carry out this work. The IIA is the only professional membership body exclusively for internal auditors in the UK and Ireland, and is responsible for producing the overall professional standards upon which the PSIAS are based.

- 3.4 A formal proposal setting out the scope and methodology for the review is attached as Appendix 1 and, should this be agreed, the assessment is likely to take place towards the end of the calendar year. As explained within the document, the review will involve a detailed assessment of Orbis Internal Audit practices as well as a range of interviews with key stakeholders from across the partner organisations, including senior officers and members of audit committees.
- 3.5 Upon completion, the assessment team will provide a detailed report concluding on the service's conformance with the professional standards and any recommendations for improvement. This document will of course be reported back to each organisation's senior management team and audit committee upon finalisation, along with details of any planned actions in response to any recommendations arising. This is a review of the Orbis Internal Audit Partnership and the services it provides to each of the partner councils. As such, the review is funded from within the service budget and each partner audit committee is being asked to approve the approach.

#### **4. Analysis and consideration of alternative options**

- 4.1 The requirement for an independent external assessment is mandatory under PSIAS and this review is now due before the end of March 2023. The cost of the assessment is covered within the existing Orbis Internal Audit budget for 2022/2023.

#### **5. Community engagement and consultation**

- 5.1 Not applicable.

#### **6. Conclusion**

- 6.1 The independent external assessment of internal audit at least once every five years is a mandatory requirement under professional standards and this review of Orbis Internal Audit is now due before the end of March 2023. Approval is being sought to commission the IIA to carry out this review as the only professional membership body exclusively for internal auditors in the UK and Ireland. The IIA are also responsible for producing the overall professional standards upon which the PSIAS are based so are ideally placed to undertake this work.

#### **7. Financial implications**

- 7.1 The cost of the external assessment is contained within the existing Orbis Internal Audit budget and is therefore funded by all the Orbis partner authorities based on existing financial contributions. Whilst the charge for the review is commercially sensitive, the value is within the financial thresholds of Procurement Standing Orders to enable the work to be commissioned based on a single quotation.

Finance officer consulted: James Hengeveld      Date consulted (06/06/22):

## **8. Legal implications**

- 8.1 No legal implications other than those highlighted in the Report have been identified. This Committee is the appropriate body for considering this report given its delegated responsibilities in relation to the Council's internal audit functions

Name of lawyer consulted: Victoria Simpson    Date consulted 10.6.22

## **9. Equalities implications**

- 9.1 None.

## **10. Sustainability implications**

- 10.1 None.

## **Supporting Documentation**

### **1. Appendices**

1. Annex A - IIA – External Assessment of Orbis IA







Chartered Institute of  
Internal Auditors

# Proposal

A Validated Self-Assessment of Internal Audit at ORBIS

03 May 2022



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## Chartered Institute of Internal Auditors

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# 1

## Objectives of the Review

**ORBIS** has expressed its wish to commission an external validation of their own self-assessment to receive an assessment of their conformance to the IIA's *International Standards* and the Public Sector Internal Audit Standards (PSIAS).

By engaging with the Chartered IIA, you are ensuring you receive a truly independent, tailored assessment from an organisation that has no interest beyond promoting and developing the profession of internal audit. We have no interest in trying to sell additional services or offering alternative solutions to the delivery of internal audit.

The review will cover the work that is completed for the following entities:

- Surrey County Council
- East Sussex County Council
- Brighton & Hove City Council
- Horsham District Council
- Elmbridge Borough Council
- East Sussex Fire Authority
- South Downs National Park Authority

The outcome of the review will:

- Assess how well your internal audit service conforms to the PSIAS and the International Standards.
- Evaluate performance in light of your internal audit charter and expectations of the Audit Committees and executive management.
- Identify opportunities to improve performance and increase the value of internal audit to the organisations.
- Benchmark your activities against best practice.
- Assess your profile within the organisations.

As the standard-setter, the Chartered IIA is ideally placed to conduct a review of your operation. We will place a highly qualified review team on this project. All our review panel members are independent internal audit experts with wide-ranging experience across both the public and private sectors, many with non-executive director experience.

# 2

## Credibility and Ability

A commitment to the continual review and improvement of the internal audit activity is a vital aspect of earning and maintaining credibility and trust among its stakeholders. The IIA International Standards contains an obligation (Attribute Standard 1312: External Assessment) for an external Quality Assurance Review every five years.

It's important to remember that an external review is not an audit of the auditors, but a review of the processes and practices within the internal audit function. As such, it is an ideal opportunity to benefit from a formalised and credible peer review, carried out by the standard setter.

Key to this is the experience and expertise of our review team. Each review we carry out is a collaborative effort using the vast experience of our review team

Throughout the process, our aim will be to provide support but also challenge, to highlight the areas where your team is performing well and to offer you pragmatic and realistic recommendations for areas for improvement and enhancement.

Each review we carry out is a collaborative effort using the varied experience of our review team which, in this instance, will include:

- Lead reviewer, **John Chesshire**, who has over 22 years' experience of delivering internal audit services across public, private and third sector organisations. John has completed reviews for other authorities with multiple customers such as SIAP, Gloucestershire County Council, Lancashire County Council and Castlepoint and Southend Councils so has an excellent understanding of the challenges and opportunities that this approach presents.
- The Chartered IIA's Chief Professional Practice Advisor, **Liz Sandwith**. As the guardian of the IIA's guidance and with her knowledge of the International Standards she will not only act as a sounding board for the lead reviewer but will also quality assure the EQA process.

Our independence is critical as our abiding aim is to promote the profession of internal audit and we have no wider interests while carrying out the review. We have completed successful reviews across the public, private and financial services sectors and we have a number of Heads of Internal Audit who are happy to provide references on our behalf should you require them.

*"The independence brought by the institute was the single most valuable aspect of the review. Demonstrably independent assurance for the organisation regarding my service's conformance with extensive professional standards is extremely valuable.*

*The validation of my self-assessment was thorough but very pragmatic and the actions arising from it will undoubtedly improve the service.*

*The review team also very helpfully provided an alternative example of one aspect of our methodology that we will adopt as an entirely appropriate improvement."*

**Ruth Lowry**  
**Head of Internal Audit**  
**Lancashire County Council**

*‘Very many thanks for this final report, and to all in the team involved. This has been a really fruitful exercise, acknowledging our progress and giving us clear pointers for the future. I am grateful for the rigour and balance with which this has been undertaken.’*

**Elizabeth Honer**  
**Chief Executive Officer**  
**Government Internal Audit Agency**

Our review team will offer a view on the position of the internal audit service compared to similar services and general best practice seen elsewhere. We will also offer examples of good practices that might benefit the function and the partner organisations.

Best practice will include areas such as:

- Clarity around internal audit’s role and responsibilities, both at the executive level and across the partner organisations and clients.
- Internal audit reporting – both in terms of assignments and also to the Audit Committees.
- The relationship between internal audit and risk management.
- Co-ordination of assurance between internal audit and Second Line functions.

The reviewer will consider the current maturity of your internal audit service as this will allow us to provide the realistic and effective feedback that our clients appreciate.

Whilst the standards underpin our approach, we will seek to offer added value during the review in the form of ideas and suggestions to improve how your governance processes work in the future.

# 3

## The Review Team

All our reviewers are experienced heads of internal audit, have passed the Chartered IIA's stringent assessment process and are members of the Chartered IIA, thereby ensuring they abide by our Code of Professional Conduct.

### **John Chesshire CFIIA**

John is a Chartered Fellow of the Chartered Institute of Internal Auditors. He has recently been a member of the Institute's Professional Development Committee and is chairman for the southwest region. He is also a member of ISACA and the IRM. John has over 22 years' experience in internal audit, risk management and governance roles and is the Independent Chair of a local authority Audit Committee.

John has undertaken internal audit roles in a number of organisations and has just finished working as Head of Assurance, where he covered internal audit and risk management, in the public sector. He also leads external quality assessments of internal audit functions in public, private and third sector organisations, reviewing both the effectiveness of internal audit and its adherence to the international standards for the professional practice of internal auditing.

John has a valuable perspective on the quality of internal audit and assurance because of his extensive experience as a freelance internal audit consultant, delivering a variety of training and internal audit engagements for a range of clients. As well as his demanding day job, he continues to undertake a number of roles for the Chartered IIA as a trainer, facilitator, tutor, author and examiner. This breadth of knowledge gives him a unique range of practical and theoretical insight into good practice internal auditing.

### **Liz Sandwith CFIIA**

Liz has over 33 years' experience in internal audit and risk management.

Liz's most recent role was at Bupa where she held a number of roles in her 5 years there from Head of Assurance, Risk and Compliance to Head of Internal Audit - Operations. Liz is responsible for advising and representing the Institute on all matters relating to the professional practice of internal audit; on ensuring quality standards; and on technical issues. She is also technical advisor to the Institute's External Quality Assessment (EQA) service.

Liz's background is firmly embedded in internal audit and risk management. She has worked for a number of private and public sector organisations, helping to develop risk management and control awareness and has delivered training to

internal auditors in the UK and internationally. Liz is a non-executive director and chair of an Audit Committee for a Leeds based Housing Association and is also an independent board member and a member of the Remuneration Committee.

Prior to joining Bupa, she spent 13 years as Head of Internal Audit at Channel 5. She has also worked with the Information Commissioner's Office and the Electoral Commission, as well as advising a number of local authorities on internal audit and risk management issues. Liz served as President of the Institute of Internal Auditors between 2000 and 2001.

# 4

## Scope and Approach

Our structured approach will assess how well internal audit is performing. We will review the internal audit methodology, compare it to the Chartered IIA's recognised good practice and make practical recommendations.

Throughout the review our lead reviewer will carry out one to one interviews with Audit Committee members and senior executives to invite their views on the performance and impact of internal audit. We recognise that these meetings may have to take place remotely, although if the current situation has improved, we would prefer for these interviews to be face-to-face.

We appreciate that many organisations want to know the extent to which their internal audit function conforms to the International Standards for the professional practice of internal audit. We will carry out such an assessment and include an opinion in our executive report.

Beyond conformance to the standards a review from the Chartered IIA will also focus on:

### **Identifying what internal audit is doing well**

- By detailing leading practices that are currently being adopted and highlighting where internal audit is providing added value to the partner organisations.

### **Supporting continuous improvement**

- By identifying areas for improvement, based on the reviewer's extensive experience and the IIA's database, offering suggestions on how excellence can be achieved and advising on ideas for implementing solutions.

### **Emphasising and enhancing the standing of internal audit**

- By highlighting how internal audit is perceived by the boards, senior management and other stakeholders and by raising its profile throughout the process.

### **Recognising and developing the maturity of internal audit**

- By benchmarking the internal audit service with IIA recognised best practice and sharing effective working practices, bearing in mind stakeholders' expectations.

We have designed a detailed assessment tool highlighting the requirements of the Standards and ways to achieve conformance. We will use the tool to work with



you to systematically review the way you deliver internal audit according to recognised professional practice and identify potential scope for development.

This will involve examination and assessment of:

- **The internal audit charter:** the scope of internal audit activity, policies, reporting lines, independence and objectivity.
- **Related governance structures, policies and relationships in action:** the terms of reference for the Audit Committees, the IIA 3 Lines model, key interactions with the senior executive team and other stakeholders.
- **The internal audit strategy and annual plan:** how risk-based plans are designed, resourced and updated to satisfy the organisations' expectations and risk appetite.
- **The way assurance is co-ordinated for the Audit Committees** to avoid duplication and gaps and to optimise the use of assurance resources within the IIA 3 Lines model.
- **Quality assurance arrangements:** processes and performance measurement.
- **Processes:** including the use of internal audit technology.
- **Engagement files and reports:** a cross section of completed reviews from your audit plan.
- **Reporting** and follow-up arrangements.

Within the review process are five interrelated stages of evaluation to ensure full coverage of the Standards, a comprehensive review of internal audit practice and extensive feedback from stakeholders and staff.

## Stage 1

Evaluating the effectiveness of the internal audit service using our knowledge of professional practice, including a review of the following documents:

- Audit Committees' terms of reference.
- Audit Committees' board papers and minutes.
- Internal audit charter and strategy.
- Internal audit procedures manual.
- Internal audit planning with links to business strategy, operating model and key risks.
- Resource plans and annual budgets.
- Job descriptions, CPE and training records.
- Assurance mapping and arrangements for co-ordination of assurance.
- Quality assessment and improvement programme - reports and KPIs.
- Annual reporting and opinion.

## Stage 2

Evaluating the delivery of your internal audit service and the approach to audit assignments, based upon the process as set out within your internal audit manual with emphasis upon:

- Assignment scoping, objective setting and resourcing.
- Assignment supervision and management – quality control.
- Report writing and review.
- Arrangements in relation to follow-up of internal audit recommendations.

## Stage 3

Reviewing a cross section of audit assignments from the audit plan to give an in-depth view of key subject matter and the performance of internal audit staff.

## Stage 4

Meetings to discuss internal audit's performance with key stakeholders and staff during stages 1 to 3 as agreed, including:

- The Audit Committee Chairs of 3-4 of the main partners.
- The Chief Executives of 3=4 of the main partners.
- The S151 Officers of 3-4 of the main partners.
- A representative from the external auditors (Grant Thornton).
- The ORBIS Chief Internal Auditor.

Interviews with members of the Audit Committee and key stakeholders of internal audit usually take around 30-45 minutes and can be conducted via Zoom/Skype/Microsoft Teams etc.

In order to further engage stakeholders and staff and incorporate their feedback into the review process, we will also carry out an online survey of staff and of managers who have regular contact with internal audit.

## Stage 5

Analysis and Report – aggregating the evaluations and discussing conclusions:

- Close out meeting with the ORBIS Chief Internal Auditor to discuss initial findings and refine proposals.
- Gather and evaluate comments to the draft report.
- Benchmark against the Chartered IIA's EQA assessment tool and the new IA Code of Practice.
- Agree draft report with the ORBIS Chief Internal Auditor.
- Finalise report, with reference to the Chartered IIA's EQA checklist.
- Produce and circulate the final report as required.

# 5

## Reporting

Our structured approach will assess how well internal audit is performing. We will review your internal audit methodology, compare it to Chartered IIA recognised good practice and make practical recommendations.

On completion we will provide a detailed executive report with recommendations within your defined timescale. This will include our assessment of your conformance to the Standards with a summary of results similar in style to the table below. We will also present our view on the maturity of internal audit using our Internal Audit Effectiveness Report and the maturity matrix on page 12 and will include examples and suggestions on how excellence can be achieved.

Summary of Conformance	Standards	Generally conforms	Partially conforms	Does not conform	Not relevant	Total
Definition of IA and Code of Ethics	Rules of conduct	12				12
Purpose	1000 - 1130	8				8
Proficiency and Due Professional Care (People)	1200 - 1230	4				4
Quality Assurance and Improvement Programme	1300 - 1322	7				7
Managing the Internal Audit Activity	2000 - 2130	11	1			12
Performance and Delivery	2200 - 2600	21				21
<b>Total</b>		<b>63</b>	<b>1</b>			<b>64</b>

**1 Executive Summary**

**Standards Conformance**

We have concluded that the NCI Generally Conforms at an overall level with the IPPF. The results are summarised in the table below:

Summary of Conformance	Standards	Generally Conforms	Partially Conforms	Does not conform	Total
Definition of IA and Code of Ethics	Rules of conduct	12	-	-	12
Purpose	1000 - 1130	8	1	-	9
Proficiency and Due Professional Care (People)	1200 - 1230	4	-	-	4
Quality Assurance and Improvement Programme	1300 - 1322	7	2	-	9
Managing the Internal Audit Activity	2000 - 2130	11	1	-	12
Performance and Delivery	2200 - 2600	21	-	-	21
<b>Total</b>		<b>63</b>	<b>4</b>	<b>0</b>	<b>67</b>

**A4 Internal audit skills & capabilities**

**Internal audit resources, skills and capabilities**

The Chartered Institute of Internal Auditors (CIIA) has conducted an External Quality Assessment (EQA) of the internal audit function of the Group. The EQA assesses the internal audit function against the International Standards for the Professional Practice of Internal Auditing (IPPF) and the Chartered Institute of Internal Auditors (CIIA) Standards for Internal Audit. The EQA also assesses the internal audit function against the Chartered Institute of Internal Auditors (CIIA) Standards for Internal Audit (SIA).

## Internal Audit Maturity Matrix

Assessment	IIA standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
<b>Excellent</b>	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally, conforms in all areas.	Excellent alignment to the organisation's objectives. IA has a high profile, is listened to and is respected for its assessment, advice and insight.	IA is fully independent and is recognised by all as the third line. The work of assurance providers is co-ordinated with IA reviewing reliability thereof.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise and produced promptly.	Ongoing efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with and approved by AC.
<b>Good</b>	The IIA Standards are fully integrated into the methodology – mainly generally conforms.	Clear links between IA engagement objectives to risks and critical success factors with some acknowledgement of the value-added dimension.	Co-ordination is planned at a high level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly linking opinions to key risks.	Quality is regarded highly, including lessons learnt, scorecard measures and stakeholder feedback with results shared with the AC.
<b>Satisfactory</b>	Most of the IIA Standards are found in the methodology with scope to increase conformance from partially to generally conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change, but criteria and role require clarity.	The IIA 3 Lines model is regarded as important. Planning of co-ordination is active, and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness, but further consistency is needed. Reports are informative and valued but are considered a little wordy.	Clear evidence of timely QA in assignments with learning points and coaching. Stakeholder feedback is evident. Wider QA&IP may need formalising
<b>Needs improvement</b>	Gaps in the methodology with a combination of non-conformances and partial conformances to the IIA Standards.	Some connections to the organisation's objectives and risks but IA engagements are mainly cyclical and prone to change at management request.	The need to co-ordinate assurance is recognised but progress is slow. Some informal co-ordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagements go beyond deadline and a number are deferred.	QC not consistently embedded across the function. QA is limited / late or does not address root causes.
<b>Poor</b>	No reference to the IIA Standards with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks and performance. Many audits are ad hoc.	IA performs its role in an isolated way. There is a feeling of audit overload with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

# 6

## Working with you

We adopt a collaborative approach to ensure that you, as our client, find the review process a rewarding and positive experience. To this end, we will adopt a 'no surprises' approach to the review and will ensure that your key contacts are involved and updated throughout.

At the start of the process, once the contract has been awarded, John Chesshire will arrange a planning call with the ORBIS Chief Internal Auditor to put together an outline for the review. This will enable us to ensure that the review runs as efficiently as possible.

The ORBIS Chief Internal Auditor will be kept updated throughout and the Chartered IIA's Professional Service Manager will be available as the point of contact throughout for queries and any issues that arise.

To ensure that the review runs as smoothly as possible, both parties will need to liaise to ensure the following:

- Interviews with key stakeholders and staff are arranged in advance.
- Review dates should be agreed in advance.
- If a survey is to be issued, names and email addresses should be supplied a minimum of 3 weeks ahead of the review commencing.
- You will ensure that all reasonable information requested by us ahead of the review is made available.
- The Chartered IIA will ensure that all documentation provided to us during the review will be kept secure and will not be divulged to anyone not involved with the review.
- A draft report will be provided within 2 weeks of the completion of the review.

# 7

## Why choose the IIA?

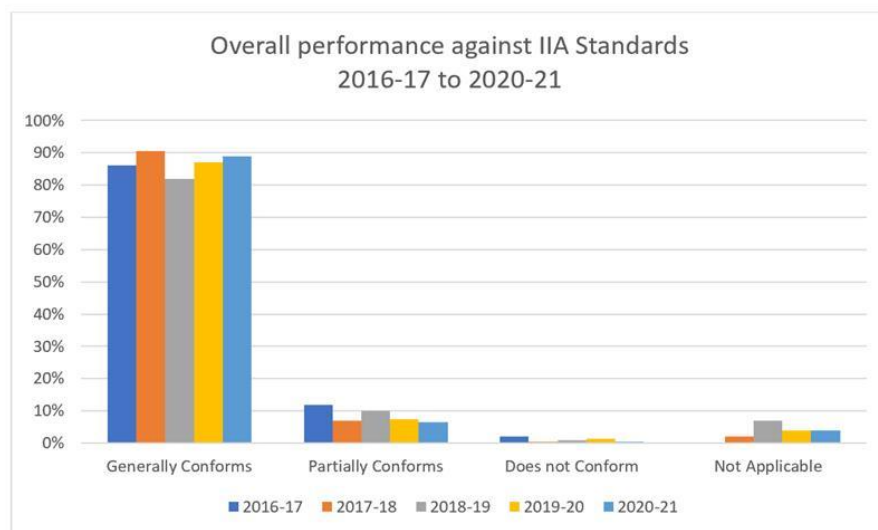
Our approach is centred on the practices of the profession with an emphasis on corporate governance, risk management and control.

- We are independent of any other organisation and because we set the standards, we truly understand them.
- We have no interest beyond promoting and developing the profession, so we never try to sell additional services that you do not require or offer alternative suggestions for the delivery of internal audits.
- We offer a flexible approach and ensure that we place highly qualified reviewers who match your requirements.
- We help to promote what you do and raise the profile of internal audit within your organisation.
- There will be no surprises as we'll discuss ideas as they arise. However, we will challenge you and offer ideas and suggestions for continuous improvement.

Since the inception of the Chartered IIA's external quality assessment service six years ago, we have undertaken over 230 reviews of public, private and financial services sector organisations and varying sizes of internal audit activities.

The results regarding conformance with the IIA Standards continue to improve which is a positive message.

### Overall performance against the IIA Standards over a five-year period from 2016/17 to 2020/21

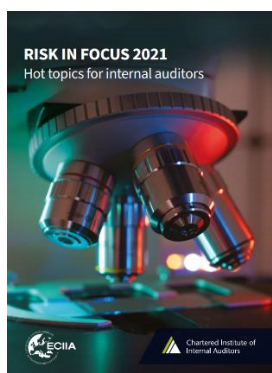
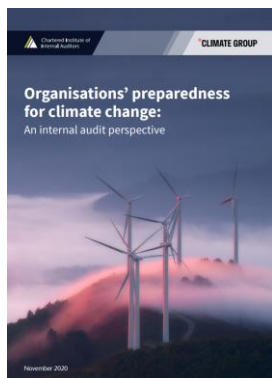
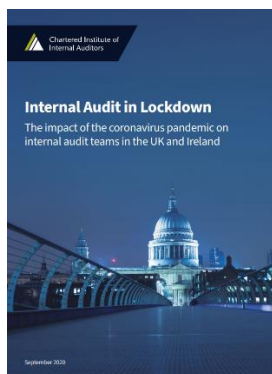


# 8

## Leading the Profession

The Chartered IIA takes a leading role in providing initiatives and resources to support Audit Committees and Internal Audit activities. This has been particularly true during the pandemic when leadership was most needed. Examples of this are below:

- Monthly Heads of Internal Audit and Local Authority virtual fora.
- Regular thought leadership pieces such as those showcased on this page.
- An annual Risk in Focus report that collates responses from over 700 CAEs, Audit Committee Chair across Europe. There is also a board briefing share with Audit Committee Chairs.
- A Data Analytics Group consisting of over 100 internal auditors across in excess of 80 organisations sharing, supporting and advising on the use of data analytics as an added value tool for internal auditors and to strengthen the assurance provided to the audit committee.
- Webinars on key topics such as internal audit planning, assurance mapping, reporting and UK SOX.
- A bi-monthly Leaders Forum discussion group. An example of this is the 1<sup>st</sup> April presentation from Sir Jon Thompson which was attended by 25 CAEs on the new BEIS White Paper. Other hot topics are covered throughout the year.
- Audit Leaders is a dedicated community, tailored specially for those at leadership level. Those whose job it is to create and protect organisations assets, build brands, and create high-performing teams. Providing a range of content from articles, podcasts and monthly events which aim to Inspire, Inform and Support. There is also a LinkedIn community to enable members to share thoughts and ask questions within a safe environment.



# 9

## Schedule, costs and deliverables

Prior to the review commencing, our lead reviewer will evaluate documentation to minimise disruption to your employees.

We estimate that the review team will require 12 days to complete the work including the review of audit engagements and carrying out interviews as outlined in section 4.

The fee quoted below includes preparation that would be carried out before the review commences, the review itself, production of the report and quality assurance.

As internal auditors we recognise the importance and value of effective communication. We will discuss issues and ideas with the senior managers of the internal audit service as the review proceeds and conclude our review with a close out meeting highlighting our key findings and ideas for development.

The draft report will contain our assessment of conformance with the IIA *International Standards*. It will also include suggestions for improvement and development and we will invite you to provide responses for inclusion within the final report.



# 10

## Terms and conditions

The lead reviewer will conduct the review with regard to applicable professional ethics, including the requirements of confidentiality, and that no confidential information will be divulged by the lead reviewer to anyone not associated with the review.

The agreement to conduct the review, as detailed in this proposal, will come into existence on written acceptance by you or your authorised representative.

Payment terms: 30 days from date of invoice.

This proposal is valid for 90 days from **3<sup>rd</sup> May 2022**.

Signed:



Kevin Grimwood  
**Professional Services Manager**

**On behalf of:**

Chartered Institute of Internal Auditors  
13 Abbeville Mews, 88 Clapham Park Road  
London SW4 7BX

**Telephone:** 020 7819 1945  
**Email:** kevin.grimwood@iia.org.uk  
**Website:** www.iia.org.uk

# 11

## About the Chartered IIA

First established in 1948, the Chartered Institute of Internal Auditors obtained its Royal Charter in 2010. We are the only professional body dedicated exclusively to training, supporting and representing internal auditors in the UK and Ireland. We work with both individuals and teams to continually develop and enhance their value to their organisations. We have 10,000 members in all sectors of the economy including private companies, government departments, utilities, voluntary sector organisations, local authorities and public service organisations.

Over 2,000 members of the Institute are Chartered Internal Auditors and have earned the designation CMIIA. Over 1000 of our members hold the position of Head of Internal Audit/Chief Audit Executive and the majority of FTSE 100 companies are represented amongst the Institute's membership.

Members of the Chartered Institute of Internal Auditors are part of a global network of over 180,000 members in 170 countries. All members across the globe work to the same International Standards and Code of Ethics.

## 12

# Client list

(representative not comprehensive)

## Public Sector

The Atomic Weapons Establishment  
 The BBC  
 Environment Agency  
 Gloucestershire County Council  
 Government Internal Audit Agency  
 The Home Office  
 HSE  
 Lancashire County Council  
 The Met Office  
 The Ministry of Defence  
 National Treasury Management Agency  
 Northern Ireland Water  
 The Office of National Statistics  
 The Scottish Government  
 Translink  
 Transport Infrastructure Ireland

## NFP/Charities/Education

Aster Group  
 Barnardos  
 Charities Aid Foundation  
 Circle Housing Group  
 Dublin Institute of Technology  
 East Thames Group  
 Gentoo Housing  
 L & Q Group  
 Marie Curie  
 Open University  
 Orbit Housing Group  
 Progress Housing Group  
 Save The Children International

## Financial Services

The AA  
 Arbuthnot Latham  
 Atrium Underwriters  
 BGC Partners  
 Enstar Insurance  
 FBD Insurance  
 International Bank of Qatar  
 Marex Spectron  
 Mitsui Bussan Commodities  
 Newcastle Building Society  
 Oaknorth Bank  
 Paragon Banking Group  
 Permanent TSB  
 Simplyhealth  
 The Exeter  
 United Trust Bank

## Private Sector – Non-FS

BDO  
 BT Group  
 The BSI  
 Bunzl  
 Cargotec  
 Co op  
 KPMG  
 National Grid  
 PwC  
 RSM UK  
 TalkTalk  
 Taylor Wimpey  
 United Utilities  
 Walgreens Boots



# Brighton & Hove City Council

## Audit & Standards Committee

## Agenda Item 11

**Subject:** Procurement Compliance Audit 2021/22

**Date of meeting:** 28 June 2022

**Report of:** Executive Director Governance, People & Resources

**Contact Officer:** Name: Cliff Youngman  
Tel: 01273 29 1408  
Email: cliff.youngman@brighton-hove.gov.uk

**Ward(s) affected:** All

**For general release**

### **1 Purpose of the report and policy context**

- 1.1 Following two recent internal audit reviews (Phase 1 and 2) of compliance with Contract Standing Orders, which concluded minimal assurance, this report updates on progress to implement the recommendations and agreed actions emanating from the audit reviews.
- 1.2 The audit reviews were conducted on an 'exception basis' meaning that the audit reviews were specifically focused on identified incidences of non-compliance. However, the vast majority of the council's circa £260 million procurement and contracting activity is compliant and follows good practice in terms of governance and decision-making through reporting to members, including the Member Procurement Advisory Board, and through the carefully considered use of different procurement routes, including identifying the best value for money routes via government buying frameworks. The council also uses waivers to achieve value for money, for example, by aligning the expiry of similar or related contracts to achieve value for money through economies of scale, including through collaborations with partners.
- 1.3 Importantly, the council has not fallen foul of procurement legislation, i.e. has never been fined, and has successfully defended all potential legal challenges to its procurement processes and contract awards. Similarly, no procurement-related fraud has been identified. The primary risk relating to non-compliance is therefore one of not being able to satisfy itself that value for money has been achieved in relation to the procurements identified in the audit review.

### **2 Recommendations**

- 2.1 That the Audit & Standards Committee notes the contents of this report including progress made to date and ongoing actions in response to audit recommendations detailed in Appendix 1.

### **3 Context and background information**

- 3.1 A number of individual audit reviews, across various directorates, had previously identified some areas of non-compliance with the council's Contract Standing Orders (CSO's).

In addition, the COVID-19 pandemic, during 2020, had increased the need for emergency procurements made at short notice, increasing the risk of non-compliance.

- 3.2 A further audit review was undertaken to obtain assurance that where suppliers have been paid more than £75,000, CSOs were complied with and value for money (VFM) had been demonstrated. This review focused initially on compliance with CSO 12 (contracts exceeding £75k) and CSO 17 (Contracts Register and Records).
- 3.3 The initial audit review (phase 1) used data analytics to match data from the Civica Financials payment system against the council's published Contract Register. Following substantial data cleansing, identification and some reclassification, a significant number of discrepancies remained outstanding. A subsequent, 'exception based' review (phase 2) of 30 records was undertaken to identify any further non-compliance to CSO's. The findings, recommendations and agreed actions are attached at Appendix 1.
- 3.4 Contract Standing Orders require all council officers to comply with tendering processes when procuring goods and services. They are embedded in the Constitution and are the responsibility of all Chief Officers (Executive Directors) and staff nominated by them to undertake procurement activities. To support this, comprehensive guidance and information relating to the tendering of goods and services is provided on the council's intranet (the Wave) and the Procurement Team undertake training for services to increase awareness of Officers' responsibilities. The issue of compliance is regularly reported through Key Performance data and through updates to the Strategic Risk Register (SR29).
- 3.5 The Procurement Team have successfully increased compliance with CSO's over many years by building, maintaining and monitoring a Forward Plan (pipeline of contracts). The Forward Plan provides comprehensive information on existing and future tendering processes and has provided useful insight to Senior Officers and Members regarding procurement activity. The current Contract Standing Orders require all procurements over £75k to be referred to the Procurement Team. Processes under this threshold will generally be managed by the requesting service. The latest spend analysis shows 90% (£234m) of total council spend falls into the over £75k threshold.
- 3.6 Current data analysis indicates approximately 92-95% of over-threshold contracts (by value) are tendered compliantly. Where non-compliant spend is identified, efforts are made to bring the contract in line with CSO's. Where the Procurement Team identify areas of significant concern, these are reported to Internal Audit for further investigation and the team works with the relevant service directorate and the legal team to resolve issues.
- 3.7 The current BHCC Financial and Purchasing systems (both supplied by Civica) do not provide a facility to prevent the placement of purchase orders where no contract or framework is in place. This allows officers throughout the council the possibility of procuring goods or services without the input or knowledge of the Procurement Team. This means that the analysis of spend, by the Procurement Team, is necessarily retrospective and as such the council's systems do not support tight controls on over-threshold procurements at the point of procurement/ordering.

The Financial and Purchasing systems are currently under review as part of a wider review of corporate systems including Finance, HR, Payroll and other core systems, all of which, although updated and patched, are over 10 years old. Members of the Procurement team are part of this review. The issue of purchase orders matching contracts has been raised as a priority.

3.8 During 2020, one third of Procurement Team resources were redirected to urgent issues such as sourcing of PPE, negotiating supplier reliefs and other Covid-19 related matters. This resulted in activity around spend analysis not taking place as planned. In addition, some of the lower value tenders that would normally have been undertaken by the Procurement Team were necessarily referred back to directorates.

3.9 In terms of mitigating and preventing compliance risks in future, the use of Orbis Sourcing Solutions provides a professional route to market for services and this service will reduce the potential for non-compliance as its use increases. Since October 2021, Sourcing Solutions has managed or is managing 78 tenders on behalf of BHCC with a forward plan of 100+. The Procurement Team also now has in place a Data Analytics officer which had been a capacity issue for a long period. This capacity allows the team to monitor spend more efficiently and identify non-compliance more speedily.

3.10 The current Procurement Team establishment is designed to manage the council's high value and high risk projects. Therefore any requirement to manage all projects within the authority, including those of lower risk and/or value, would require a significant increase in capacity but would not necessarily represent good value for money. In particular, there are over 200 managers with responsibility for procuring and tendering contracts across the council and it is clearly far more cost effective to provide them with appropriate corporate training, guidance, on-line tools, systems and advice to enable managers across the council to procure and tender contracts in compliance with CSOs.

3.11 However, Procurement Team (Orbis) resources are kept under review by the council, taking into account volumes of activity, the growing complexity of procurements, the effectiveness of corporate systems and controls, and the support required by services to achieve value for money. The latter is a key area as officers in services are unlikely to ever have the depth of knowledge of dedicated procurement officers, many of whom are professionally qualified CIPS practitioners, and therefore reviewing the balance of support is an ongoing process, particularly as procurement legislation and practice increases in complexity.

3.12 It should also be noted that non-compliance to CSO 17 does not necessarily translate into fraudulent activity and the internal audit reviews have not identified any cases of fraud. Updating of the Contract Register is an administrative issue, where increased awareness, training and guidance will generally remedy the situation.

#### **4 Analysis and consideration of alternative options**

4.1 The actions to improve compliance issues identified by the internal audit reviews have been developed by management and agreed with Internal Audit, and, if implemented successfully should address the issues raised.

When the actions are substantially completed, a further review of compliance by the Procurement Team will be undertaken to assess effectiveness and consider further options if necessary.

- 4.2 Significant additional staffing or external resources, either in services or within the Procurement Team, could potentially be applied to improve compliance but this would be an expensive option and would not represent good value for money in the context of the council's financial constraints. The process of undertaking internal audit reviews and responding to the findings and recommendations of these reviews to continuously improve internal controls and compliance is a more efficient and sustainable practice.

## **5 Community engagement and consultation**

- 5.1 No consultation or engagement was undertaken in relation to this report.

## **6 Conclusion**

- 6.1 Appendix 1 shows that most of the agreed actions to improve internal controls and compliance in response to the audit reviews are either completed or significant progress has been made. There are a small number of actions that require longer term solutions and these are also in train, including the review of the council's corporate systems requirements.

## **7 Financial implications**

- 7.1 There are no direct financial implications arising from this report however the actions to improve compliance and awareness of procurement processes, procedures and controls has the potential to help services achieve better value for money outcomes.

Finance officer consulted: James Hengeveld      Date consulted: 13/6/22

## **8 Legal implications**

- 8.1 As set out in the report, all procurement activity should comply with the Council's Contract Standing Orders. Where the estimated value of a contract is over the relevant threshold, Officers are also required to comply with the Public Contracts Regulations 2015 or the Concession Contract Regulations 2016.

Name of lawyer consulted: Alice Rowland      Date consulted : 20/6/22

## **9 Equalities implications**

- 9.1 There are no direct equalities implications in this report.

## **10 Sustainability implications**

- 10.1 There are no direct sustainability implications in this report, however, actions to improve awareness of and compliance with procurement processes, procedures and controls provides greater assurance that procurement policy and practice is being consistently adhered to, including meeting the council's sustainable procurement policy and objectives.



## **11 Social Value and procurement implications**

11.1 Similarly, there are no direct social value implications in this report, however, actions to improve awareness of and compliance with procurement processes, procedures and controls provides greater assurance that procurement policy and practice is being adhered to, including the council's social value procurement policy and objectives.

## **12 Crime & disorder implications:**

12.1 There are no direct implications arising from this report but actions to improve compliance with CSO's and procurement processes, procedures and controls will further help to minimize the potential for fraud and error in procurements.

## **Supporting Documentation**

### **Appendices**

1. Procurement Compliance Update



Date	Finding	Risk Rating	Agreed Action	Progress RAG	Comments
<b>BHCC Procurement Compliance Audit - Phase 1</b>					
Oct-21	<p><b>Completeness of Contracts Register.</b></p> <p>We found 148 suppliers where expenditure exceeded £75k for the 12-month period tested but they were not captured on the contracts register. Contract Standing Order 17 requires contract officers to provide the information to the Head of Procurement for inclusion in the Contracts Register within 5 working days of the contract signature.</p> <p>The Contracts Register is also the basis for information published on the Council website. The Public Contracts Regulations 2015 transparency requirement also states that all contracts over £25,000 unless covered by Data Protection exemptions should be published on the Council website. There appears to be no mechanism to ensure that this information is accurate.</p>	High	<p>A periodic analysis exercise will be undertaken to monitor the Council's spend. Any major areas of uncontracted spend will be flagged to services for them to take the appropriate action.</p> <p>BHCC Procurement will work with Orbis Internal Audit to develop an appropriate monitoring mechanism to ensure waivers, framework agreements and DPS contracts are included in the contracts register.</p>	Progressing but note that some are longer term actions.	<ol style="list-style-type: none"> <li>1. The BHCC Data and Analytics Specialist will work with a nominated audit officer to ensure a reporting mechanism is put in place, with controls flagging uncontracted spend over £75,000.</li> <li>2. The Forward Plan is continually being enhanced, maintained, and reported on monthly. It is also regularly shared with DMT's and ELT to increase awareness of scheduled contract renewals and procurements.</li> <li>3. An annual review will be put in place to identify any gaps between activity on In-tend (the on-line tendering system) and the forward plan. However, the biggest barrier is the lack of integration between the financial system and the electronic procurement system (In-tend), including no unique reference numbers, in order to consistently match data.</li> <li>4. Work continues on updating</li> </ol>

Date	Finding	Risk Rating	Agreed Action	Progress RAG	Comments
					<p>creditor reference numbers on the electronic procurement system (In-tend).</p> <p>5. Longer term, a Corporate Systems review has been completed which will be reported to 7 July Policy &amp; Resources Committee and which, if approved, will enable the council to specify a systems solution to improve data capture and compliance.</p>
Oct-21	<p><b>Contract awards missing from the Register.</b>                      For many of the transactions investigated as part of this review we found that a compliant procurement process had taken place and officers had used In-tend. However, no contract record had been set up and contracts finder was not updated. Many procurements are service led and will be run by them under advice from the procurement team. They may be unaware of the importance of the final step in the process.</p> <p>We found that purchase orders to the value of £1.045m had been raised</p>	High	<p>Existing procurement guidance and training will be reviewed and updated to reflect the importance of completing the final steps to ensure that the contract is published on the corporate register, in accordance with the CSO's. Legal Services will also be engaged to share the requirements of completing the Contracts Register with officers.</p> <p>All procurement officers will be reminded of the need to update the Contracts Register, through creating a contract record on the Council's E-Procurement system - In-tend, when waivers are authorised.</p> <p>Cliff Youngman and Edward Dunn will attend the Leadership Network to</p>	Significant progress made	<p>1. The BHCC Data and Analytics Specialist will review the In-tend system procedure for <i>Contract Recording, Notice and Publication</i>, to ensure the requirements are clearer to users and to improve data capture and compliance.</p> <p>2. Regarding raising awareness, the Head of Procurement has distributed this to the Strategic Procurement Team, to reiterate the requirements, alert officers across the council to the new procedure, and request compliance within the service and beyond.</p>

Date	Finding	Risk Rating	Agreed Action	Progress RAG	Comments
	<p>against 5 suppliers where a waiver had been approved but the details were not included on the Contracts Register. These all related to procurements within the Housing Directorate.</p> <p>Our review showed that some suppliers engaged via a framework agreement or DPS were not included in the Contracts Register. This type of procurement identifies a number of suppliers that can be used to deliver a service.</p> <p>We found that there were a few instances where a procurement process had been run with another public body, but the contract was not included in the Contracts Register</p>		<p>discuss the compliance with the CSO's, including the requirement for contracts to be included on the corporate Contracts Register and published in accordance with the Public Contracts Regulations requirements.</p>		<p>3. The Procedure guidance has been uploaded to the Procurement Wave pages to encourage best practice when closing a procurement project, ensuring importance is placed on the administration and aftercare of contract and procurement data.</p> <p>4. The procedure has been shared with Orbis Sourcing Solutions to ensure sovereign processes are being considered and followed to promote contract records management.</p>
Oct-21	<p><b>Emergency COVID 19 payments</b></p> <p>During the transactional period chosen there were 30 payments to suppliers, 22% of the value of the unmatched contracts, who were quickly engaged to provide new service requirements arising from the COVID-19 pandemic.</p> <p>These procurements are not recorded on the Contracts</p>	High	<p>The Head of Procurement will liaise with Heads of Service to populate a central register of Covid 19 emergency payments by contractor. This will include a reminder to Heads of Service of their procurement responsibilities under CSO's.</p>	Complete	<p>1. The <i>Covid Emergency Payments Register</i> has been created and saved on the council's network and is available for audit and other inspection and review and publication, for example, if requested under FOI.</p>

Date	Finding	Risk Rating	Agreed Action	Progress RAG	Comments
	<p>Register. The decisions to procure these goods and services were taken under GOLD command and are in accordance with emergency powers.</p> <p>These procurements have not been followed up with a waiver record. Apart from Personal Protective equipment, there was no central record of these procurements by supplier. There is likely to be a high degree of public interest in these procurements, but the contract information is not being published.</p> <p>These procurements are not recorded on the Contracts Register</p>				
Oct-21	<p><b>Insufficient evidence of the tendering of supplies and services above £75k.</b></p> <p>Our review identified seventeen creditors where significant sums had been spent where there was no current contract in place or evidence of tenders being obtained in a CSO compliant procurement process.</p> <p>The value of purchase orders raised against these suppliers</p>	High	<p>A review of CSOs will include the potential for including additional financial controls that would provide more robust governance for officers undertaking procurement responsibilities.</p> <p>Orbis Sourcing Solutions Team will give services a dedicated support, for procurements up to a value of £187k. This team will provide an "end to end" tendering process for all under-threshold Procurements, ensuring they are CSO compliant</p>	Significant progress made. Some approvals required.	<ol style="list-style-type: none"> <li>1. Sourcing Solutions are now providing a service for all procurements under threshold in order to ensure consistency of controls and compliance with CSO's.</li> <li>2. This is a robust solution where clients who have previously been self-serving might not be experts in public procurement governance.</li> <li>3. Further self-serve guidance</li> </ol>

Date	Finding	Risk Rating	Agreed Action	Progress RAG	Comments
	<p>was £3.182m.</p> <p>Feedback from officers contacted during the audit demonstrated that they viewed these as spot purchases or rolling contracts via a purchase order. This meant that officers had only thought about a specific order for goods and services and had split the value of the contract.</p> <p>In these cases, there appeared to be no strategic procurement process in place or understanding of the total value of orders raised with that supplier.</p>				<p>has been provided on the Wave for Service Area leads to follow where appropriate.</p> <p>4. CSOs need updating as a joint Orbis Procurement project.</p> <p>5. A set of Social Care specific CSO's have been developed and are awaiting approval.</p>
Oct-21	<p><b>Monitoring of CSO Compliance</b></p> <p>There is currently no effective mechanism in place to effectively monitor compliance with CSOs for expenditure above £75k.</p> <p>The procurement team have provided guidance to officers but have been unable to monitor whether officers have followed the guidance.</p>	Medium	<p>Develop and use data analytics techniques within the procurement team, to review CSO compliance.</p> <p>Performance monitoring reports will flag non-compliance and be shared with ELT. Any serious non-compliance will be raised with Internal Audit.</p> <p>The Sourcing Solutions Team will also monitor spend and liaise with the BHCC Procurement Team to identify areas of concern for lower value contracts.</p>	Significant progress made. Learning from HNC piloting will inform final processes and monitoring approach.	<p>1. The BHCC Data and Analytics Specialist is reviewing sovereign spend and will be linking in with other data analysts to ensure best practice is in place.</p> <p>2. Further Dashboards (using the Tableau application) are in the pipeline to visually flag any risk areas, with further reporting and escalation mechanisms being developed. An HNC Dashboard prototype is being tested by the Directorate</p>

Date	Finding	Risk Rating	Agreed Action	Progress RAG	Comments
			A Waiver report will be shared with Policy & Resources Committee annually.		Management Team. 3. Sourcing Solutions are monitoring spend and consulting with the BHCC Head of Procurement. 4. The Head of Procurement meets regularly with ELT where areas of non-compliance can be raised and issues resolved.
Oct-21	<b>Contract Variations</b>  The current Contracts Register does not record any changes to the contract which might include additional purchases and increases in contract values. We understand that these are recorded on the Forward Plan, but the Contracts Register is not routinely updated.	Medium	All Procurement Officers will be reminded of the need to update the Contracts Register when variations are authorised.  Communications will be shared with Legal Services to ensure they advise officers (who deal directly with them for variations) of the requirement to update the Contracts Register.  Wider communications will be issued corporately highlighting the issue of "spend creep" in contracts.	Complete	1. All officers have been reminded and communications have been shared with Legal Services. 2. A training session with the Managers Network highlighting the risk of spend creep has occurred. 3. Contracts and Supply have provided further guidance on the Wave.

**Internal Audit Report – BHCC - Procurement Compliance - Phase 2**

Feb-22	<b>1. Completion and Retention of Procurement Documents.</b> We found that retention of some procurement documentation was poor and there was a lack of centralised information about some contracts. It was often not clear who the	High	Targeted Procurement training, relating to retention and completion of documents, will be developed and delivered to services. This will include increasing the visibility and publicising the Sourcing Solutions Service. Guidance will be updated on the intranet regarding retention of documentation.	Commenced and ongoing.	1. Procurement Training was previously delivered to Housing (Nov 2020) and City Clean (Oct 2020). Recently, Procurement training and advice was delivered to the Managers Network (Mar 2022), including information about
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Date	Finding	Risk Rating	Agreed Action	Progress RAG	Comments
	Contract Manager was. Officers struggled to find information on contracts, including the value of the contract and tender evaluation documents where a competitive tender had taken place.		Utilising the data in this audit report, the Contract and Supply Team will provide support to identified, individual Contract Managers. Where necessary contract management training will be provided.		<p>the Sourcing Solutions service. The Managers Network were all invited to the training and received a copy of the slides.</p> <ol style="list-style-type: none"> <li>2. On an on-going basis we will continue to train and mentor officers across the council, including new or promoted staff, targeting priority areas or areas of non-compliance in the first instance.</li> <li>3. Guidance has now been updated on the procurement Wave pages.</li> <li>4. Contract &amp; Supply (C&amp;S) have been mentoring officers through discussion as part of the audit review, including highlighting C&amp;S Wave page and resources.</li> </ol>
Feb-22	<p><b>2. Waiver Approval.</b> Evidence was supplied of four waivers that had been completed in accordance with CSO 20. However, two of these were incomplete and not signed and all four had not been included in the corporate list of waivers. Waiver documents provide explanation and authorisation in circumstances where a contract is directly</p>	High	<p>Where the service has been identified within the Audit, the Head of that service shall be notified of the breach of the CSO's and asked to provide assurance to Orbis Procurement within 60 days of the notification that the breach has be remedied or appropriate action to has been taken to ensure any future breach's will be minimised. Procurement and Legal officers will be reminded of the importance of</p>	Completed and ongoing.	<ol style="list-style-type: none"> <li>1. Breach of the CSOs meetings with relevant heads of service have been held and issues resolved.</li> <li>2. Procurement and Legal officers have been reminded of the waiver compliance processes.</li> <li>3. Procurement Training and advice delivered the Managers Network (Mar</li> </ol>

Procurement Compliance Audit Appendix 1

Date	Finding	Risk Rating	Agreed Action	Progress RAG	Comments
	awarded to a supplier.		ensuring all waivers are completed compliantly prior to award or extension of contracts. Targeted procurement training should include guidance on the use of Waivers.		2022), which included training on Waivers. 4. On an on-going basis we will continue to train, mentor and give guidance to officers on the use of waivers.
Feb-22	<p><b>3. Competitive Procurement.</b> We were only able to identify evidence for competitive procurements for 13 examples in our sample, and another two were supported by a signed waiver document. In ten cases the contract had been directly awarded without a signed waiver, seven of these were in EEC Directorate and the other three were in HNC. In a further six cases we were not able to obtain a response (or sufficiently detailed response) from the responsible officer. We found that in some cases, where contracts had expired officers had continued to raise purchase orders and directly award contracts to the previous supplier without a competitive tender or waiver approved.</p>	High	<p>Utilising the data in this audit report, the Contract &amp; Supply Team will provide support to identified, individual Contract Managers. The C&amp;S Team will identify and implement necessary interventions, to ensure highlighted non-compliant procurements are brought into a compliant basis. The C&amp;S Team will provide the Head of Procurement with an Issues Log. Where necessary the HoP will escalate to service heads.</p>	In progress	<p>1. C&amp;S are engaging with officers as part of the review of the 30 sampled supplier spend examples, where review, advice and support is provided to improve knowledge and awareness of procedures. 2. Non-compliant procurement activities will be remedied where feasible and feature in each supplier report. 3. C&amp;S will provide a log to the BHCC Head of Procurement once all the individual reports are completed.</p>
Feb-22	<p><b>4. Authority to Spend.</b> We found that, for 11 of the procurements reviewed, we did</p>	High	Where the service has been identified within the Audit, the head of that service shall be notified of the breach	Completed	1. Breach of the CSOs meetings with relevant heads of service have

Date	Finding	Risk Rating	Agreed Action	Progress RAG	Comments
	<p>not receive sufficient evidence of appropriate approval by officers in accordance with the Scheme of Delegation and Contract Standing Orders.</p>		<p>of the CSO's and asked to provide assurance to Orbis Procurement within 60 days of the notification that the breach has been remedied or appropriate action has been taken to ensure any future breach's will be minimised.</p> <p>If the breach of actions leading to a breach persists, then the supplier that the breach relates to may be suspended from the finance system to mitigate any potential risks to the council.</p> <p>Procurement training will cover assessing the value of a contract and retaining evidence of authority to spend in accordance with Contract Standing Orders and the Scheme of Delegation.</p>		<p>been held.</p> <p>2. Procurement Training delivered to the Managers Network (Mar 2022), including Sourcing Solutions Services. The Managers Network were all invited to the training and received a copy of the training slides.</p>
Feb-22	<p><b>5. Disaggregating the Contract Value.</b></p> <p>We found that there were 5 procurements where it appears as though the contract may have been disaggregated.</p> <p>We found that officers are often procuring for individual projects or purchase orders and may not consider the potential total value of the contract. This means that in some cases officers understood the contract value to be less than £75,000 and subject to CSO10 or CSO11, rather than CSO12.</p>	High	<p>Utilising the data in this audit report, the Contract and Supply Team will provide support to identified, individual Contract Managers.</p> <p>The C&amp;S Team will identify and implement necessary interventions, to ensure non-compliant procurements are brought into a compliant state.</p> <p>The C&amp;S Team will provide the Head of Procurement with an Issues Log.</p> <p>Where necessary the HoP will escalate to service heads / Executive Directors.</p> <p>Further training and support will be provided to develop officer skills so that they consider the whole value of a</p>	Significant progress made and nearing completion.	<p>1. C&amp;S are engaging with officers as part of the review of the 30 sampled supplier spend examples, discussion, advice and support is provided.</p> <p>2. Non-compliant procurement activities will be remedied where feasible and feature in each supplier report.</p> <p>3. C&amp;S will provide a log to the BHCC Head of Procurement once all the individual reports are</p>

Date	Finding	Risk Rating	Agreed Action	Progress RAG	Comments
			potential contract and strategically procure services to encourage competitive tendering and, potentially, achieve better value for money.		<p>completed.</p> <p>4. On an on-going basis we will continue to train and mentor officers across the council as part of a continuous improvement and awareness programme.</p>
Feb-22	<p><b>6. Overspending against the contract value.</b>                      There were 8 examples of where contract spend to date had exceeded the contract value. We could only find evidence of an appropriate contract variation for 3 of these. There were a further 9 procurements where the contract value is not known. In many cases officers appeared to be unaware that a contract was overspent. Most officers were managing contracts through the TBM process. Whilst this does provide some control, for example, at a service or directorate level, it is less effective than reviewing expenditure against each specific contract.</p>	Medium	<p>Utilising the data in this audit report, The Contract and Supply Team will provide support to identified, individual Contract Managers. The C&amp;S Team will identify and implement necessary interventions, to ensure non-compliant procurements are brought into a compliant state. The C&amp;S Team will provide the Head of Procurement with an Issues Log. Where necessary, the HoP will escalate to service heads / Executive Directors. Contract Management training will be developed to ensure that Contract Managers access the information they need to effectively manage a contract, including the value of the contract, the contract variation process and reviewing expenditure in Civica.</p>	Significant progress made and nearing completion.	<p>1. C&amp;S are engaging with officers as part of the review of the 30 sampled supplier spend examples, discussion, advice and support is provided.</p> <p>2. Non-compliant procurement activities will be remedied where feasible and feature in each supplier report.</p> <p>3. C&amp;S provide a log to Head of Procurement once all the individual reports are completed.</p>
Feb-22	<p><b>7. Paying Subcontractors Directly.</b>                      We found evidence that one of the suppliers was a</p>	Medium	Targeted Procurement training, relating to paying contractors directly will be delivered to services.	Completed	<p>1. Issues in the identified service have been addressed.</p> <p>2. On an on-going basis we</p>

Date	Finding	Risk Rating	Agreed Action	Progress RAG	Comments
	<p>subcontractor to another supplier who had been awarded a contract. In this case the subcontractor was being paid directly but it was unclear if there was provision in the contract with the main supplier to make payments in this way. This finding is similar to audit findings during certification of EU grants where we also found that subcontractors had been paid directly and the Council was unable to evidence a compliant procurement process.</p>				<p>will continue to train and mentor procurement processes with officers in the council.</p>
Feb-22	<p><b>8. Contractor Checks- Financial, Insurance and Health &amp; safety.</b>                      There were nine procurements where the contractor was on a framework or DPS, so officers believe these contractors had all checks completed as part of being accepted onto the framework or DPS but were not always able to provide any evidence of this.                      There were five procurements where we might have expected relevant financial, insurance and health and safety checks to have been completed on the supplier where insufficient information was provided.</p>	Medium	<p>Targeted Procurement training, relating to contractor checks, will be delivered to services.                      Increase visibility and publicise the Sourcing Solutions service across directorates.                      Utilising the data in this audit report, The Contract and Supply Team will provide support to identified, individual Contract Managers.                      The C&amp;S Team will identify and implement necessary interventions, to ensure non-compliant procurements are brought into a compliant state.                      The C&amp;S Team will provide the Head of Procurement an Issues Log.                      Where necessary the HoP will escalate to service heads / Executive Directors</p>	Significant progress made, nearing completion.	<ol style="list-style-type: none"> <li>1. Procurement Training delivered to the Managers Network (Mar 2022), including Sourcing Solutions Services. The Managers Network were all invited to the training and received a copy of the training slides.</li> <li>2. On an on-going basis we will continue to train and mentor procurement processes with officers in the council.</li> <li>3. Non-compliant procurement activities will be remedied where feasible and feature in each supplier report.</li> </ol>

Date	Finding	Risk Rating	Agreed Action	Progress RAG	Comments
					4. C&S will provide a log to Head of Procurement once all the individual reports are completed.
Feb-22	<p><b>9. Declaration of Interests.</b>                      For 16 of the sample reviewed, officers were unable to provide confirmation of whether declarations of interest had been declared prior to the procurement process taking place.                      Staff are encouraged to update positive declarations held on PIER, but they also need to consider any specific conflicts that may arise through the procurement process.</p>	Medium	<p>Where the Strategic Procurement Team are involved in the tender, all officers writing a specification and/or forming part of the evaluation team are required to complete a TDOI (tender declaration of interest form).                      Where any officer is involved in a Procurement it should be mandatory for a TDOI to be completed.</p>	Completed.	1. Declaration of Interests featured in the Procurement Training delivered to the Managers Network (Mar 2022). The Managers Network were all invited to the training and received a copy of the training slides.

# Brighton & Hove City Council

## Audit & Standards Committee

## Agenda Item 12

**Subject:** Standards Update

**Date of meeting:** 28 June 2022

**Report of:** Monitoring Officer

**Contact Officer:** Name: Victoria Simpson, Senior Lawyer – Corporate Law  
Tel: 01273 294687  
Email: Victoria.Simpson@brighton-hove.gov.uk

**Ward(s) affected:** All

**For general release**

### **1 Purpose of the report and policy context**

1.1 To provide Committee with a quarterly update on member complaints and on Standards-related matters.

### **2 Recommendations**

2.1 That Committee notes the information in this Report.

### **3 Context**

#### **Background**

3.1 Members are aware of the provisions in the Localism Act 2011 which require the Council to maintain arrangements for reviewing and determining complaints that elected and co-opted members have breached the Council's Code of Conduct for Members. This Report provides information on this and related matters in order to assist the Committee in discharging its delegated responsibilities to promote and maintain high standards of conduct by members of the authority.

#### **Member complaints: the challenges**

3.2 A key aim of the regular Update Reports is to provide reassurance regarding the progression of complaints which the Council has received and which it has either determined recently or is in the process of considering. In this context, Members' attention has been consistently drawn to the challenges of an increase in complaints against elected members in recent months, both from members of the public and other stakeholders and from other elected members. This upswing has posed resourcing issues.

3.3 In response, and as verbally reported to the last Committee, the Monitoring Officer convened an informal cross party meeting of three members of the Council's Audit & Standards Committee and one of the Council's two Independents Persons. This cross party meeting provided a forum for an informal discussion about eighteen outstanding complaints, as well as allowing the Monitoring Officer to discharge the requirement in the Council's Procedure that he consult with one of the Independent Persons before making a decision at preliminary assessment stage. While decisions regarding what steps if any to take at preliminary assessment stage remain with the Council's Monitoring Officer, this exercise was considered to be a helpful step. Most (although not all) of the progress reported below was made subsequent to that informal meeting, in accordance with the preferences indicated unanimously by the cross party meeting.

#### **4 Member complaints previously reported to this Committee**

4.1 Complaint **M/2021** remains at preliminary assessment stage, following the circulation of a draft Report to the complainant (themselves an elected councillor) and the subject member by external investigators.

4.2 As previously reported, complaints **F1 and O1/2021** concerned different comments made by the same member about Council officers via social media. The progression of that complaint was impeded by the relevant subject member's unwillingness to engage with the complaints process. The matters complained of have now both been assessed as having potential to amount to a breach of the requirement in the Code of Conduct for Members that members treat others (including but not only officers) with respect. The Monitoring Officer's view has been communicated to the subject member, who has been asked to apologise for their comments and to delete them. At the deadline for publication of this Report, a response was awaited from the subject member to this suggestion that the matter be resolved in this way, via informal resolution. It will be the subject of a further report to this Committee.

4.4 Complaint **I/2021** alleged misconduct by a councillor in their ward which was robustly denied, despite multiple assertions over time by the complainant that they did have evidence that the events complained of had taken place. This complaint has now been determined by the Monitoring Officer on the basis that it should not be progressed to formal investigation as there was not, in fact, sufficient evidence to support that complaint. That outcome at preliminary assessment stage has been notified to both parties.

4.5 Complaints **M1 and N1/2021** (made by the same complainant, although directed differently) make the same allegation against a single elected member, namely that they failed to treat the complainant with respect during an interchange on social media. The Monitoring Officer agreed with the Independent Person that informal resolution would be the best outcome on the facts and so (much as in complaints F1 and O1/2021 above) the subject member has been approached and informed of the view taken, and asked to apologise and delete the conversation. Again: a further update will be provided in due course.



- 4.6 Complaint **A/2022** also concerned comments by an elected member about a complainant on social media. This too was dealt with in the same way as the four complaints described above, by indicating the Monitoring Officer's view that these complaints did have potential to amount to a breach, and that specific remedial action by the complainant was sought as a necessary step to resolve the complaint informally.
- 4.7 Complaint **K1/2021** alleged disrespect by an elected member at a Committee meeting as well as when posting on social media. The allegations in that very detailed complaint covered some of the same ground as the complaints which had been subject to prior decisions by the Council and then (following a challenge) by the Local Government & Social Care Ombudsman, neither of which considered that any action was merited. A decision has now been made to determine this new complaint on the basis that there is insufficient evidence to support that complaint: a decision which has been communicated to the parties.
- 4.8 Of the fourteen complaints against elected members flagged up in the last Update report as being new, nine of them relate to the social media comments made by a single elected member who did not respond when alerted to the complaints: **E, G, H, I, J, K, L, M & N/2022**. The first of those complaints (**E/2022**) was considered by the Monitoring Officer and those other persons who reviewed it to have potential to amount to a breach of the Code. The subject member concerned has been notified of this and has been asked to apologise for the posts and to delete them within a specified window of time as a means of informally resolving matters in a proportionate way. An update will be provided to this Committee regarding this complaint in due course.
- 4.9 The other nine complaints listed in para 4.8 concerned exchanges made by the same subject member on a single topic affecting perceptions of Brighton & Hove City Council's schools. It was noted that – although some of the posts involved reposting an article in the national press which had been the subject of a correction by the Council – there was no evidence that the article had been reposted after the correction was issued. That said, other communications by that member on the same topic were considered to have potential to give rise to a breach of the Code of Conduct and the subject member was alerted to that. They were at the same time told informed (as were the complainants in all of the matters) that the Monitoring Officer had taken the view at preliminary assessment stage that – although resource challenges had resulted in a decision that a wide-ranging formal investigation was not deemed to be proportionate and necessary in the public interest – the comments by the relevant subject member about a named journalist had been referred for formal investigation. That formal investigation will be the subject of a further report to this Committee in due course.
- 4.10 Complaint **F/2022** concerned the same subject matter as the complaints listed in para 4.8. However it differed insofar as it concerned comments in the press by a different elected member which were considered to use language deemed to be derogatory with potential to cause offense to others. That complaint has been informally resolved, the relevant member having indicated that they had no intention of causing offence. They indicated that they regretted any harm caused and would take steps not to use the terms complained of in future.

- 4.11 A complaint alleging disrespect toward a member of the public exhibited via social media (**B/2022**) has been treated as having been withdrawn and meriting no action, despite the complainant seeking to reverse their previous indication that they did not wish to progress matters.
- 4.12 Notwithstanding the resource directed to this area, some complaints remain outstanding despite efforts to actively progress them up to the deadline for this Report. Complaint **O/2022** – which alleged that an elected member failed to treat a member of the public with respect in a public place – has now been referred to one of the Council’s two Independent Persons, who has been asked to take a view at preliminary assessment stage. Meanwhile efforts to obtain answers to key preliminary enquiries remain ongoing in relation to the two complaints made by different elected members against a third elected member regarding that member’s conduct when acting as Chair at a meeting of one of the Council’s Committees (**C & D/2022** respectively).

#### **Member Complaints received since the last Update in January 2022**

- 4.13 Complaint **P/2022** was made by one elected member against another and concerns assertions made in a newspaper article which are alleged to have failed to treat the complainant with respect. That complaint has been referred to the Independent person so that the Monitoring Officer may take their views into account when making his decision at preliminary assessment stage.
- 4.14 Finally, Complaint **Q/2022** concerns allegations of verbal abuse and harassment made by an elected member’s neighbour which are robustly denied. That complaint remains at preliminary assessment stage and will be the subject of further report to this Committee, as will P/2022.

### **5 Analysis and consideration of alternative options**

- 5.1 The Council is obliged under the Localism Act to make arrangements for maintaining high standards of conduct among members and to make arrangements for the investigation of complaints. The current arrangements and the proposals in this Report are considered to be key to discharging these requirements. No alternative proposals are suggested.

### **6 Community engagement and consultation**

- 6.1 No need to consult with the local community has been identified.

### **7 Conclusion**

- 7.1 This Report aims to assist the Committee in discharging its responsibilities for overseeing the standards of conduct at this authority and for reviewing the arrangements in place for the resolution of member complaints.

### **8 Financial implications**

- 8.1 There are no additional financial implications arising from the recommendation in this report. All activity referred to has been, or will be, met from existing budgets.

Name of finance officer consulted: James Hengeveld  
Date consulted 20/06/22

## **9 Legal implications**

9.1 These are covered in the body of the Report.

Name of lawyer consulted: Victoria Simpson      Date consulted 16.6.22

## **10 Equalities implications**

10.1 No equalities implications have been identified.

## **11 Sustainability implications**

11.1 No sustainability implications have been identified.

## **12 Other Implications**

12.1 No other implications have been identified.

## **Supporting Documentation**

None

