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DATE: 8 March 2011

To: Members of the
AUDIT SUB-COMMITTEE

Councillor Michael Tickner (Chairman)
Councillor Lydia Buttinger (Vice-Chairman)
Councillors Reg Adams, Nicholas Bennett J.P., Simon Fawthrop, Julian Grainger and
Stephen Wells

A meeting of the Audit Sub-Committee will be held at Bromley Civic Centre on
WEDNESDAY 16 MARCH 2011 AT 7.30 PM

MARK BOWEN
Director of Legal, Democratic and
Customer Services.

Copies of the documents referred to below can be obtained from
www.bromley.gov.uk/meetings

A G E N D A

- 1 **APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**
- 2 **DECLARATIONS OF INTEREST**
- 3 **CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 6TH DECEMBER 2010 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION (Pages 3 - 10)**
- 4 **QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING**
To hear questions received in writing by the Legal, Democratic and Customer Services Department by 5pm on Thursday 10th March 2011 and to respond.
- 5 **MATTERS OUTSTANDING FROM THE LAST MEETING (Pages 11 - 16)**
- 6 **INTERNAL AUDITOR NOMINATIONS (Pages 17 - 20)**
- 7 **EXTERNAL AUDIT REPORTS (Pages 21 - 46)**
- 8 **EXTERNAL AUDIT REPORTS: 2010/11 ANNUAL AUDIT PLAN AND 2010/11 PENSION FUND AUDIT PLAN (Pages 47 - 96)**
- 9 **INTERNAL AUDIT PROGRESS REPORT (Pages 97 - 132)**

3.1 Outstanding Matters

- 3.11 Previous Priority One Recommendations
- 3.15 Debtors
- 3.18 Progress and new issues since the last meeting
- 3.24 Waivers
- 3.32 Value for Money (VfM)

3.46 Current Matters

- 3.47 New Priority One Recommendations
- 3.49 Housing Benefit Update
- 3.52 Partnership Working
- 3.54 Risk Management

10 THE GOVERNMENT'S ACADEMY PROGRAMME: DEVELOPMENTS WITHIN BROMLEY
(Pages 133 - 142)

11 INTERNAL AUDIT PLAN 201/12 (Pages 143 - 152)
Appendix 1 to follow.

**12 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT
(ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF
INFORMATION ACT 2000**

The Chairman to move that the Press and public be excluded during consideration of the item of business listed below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

Items of Business

Schedule 12A Description

13 EXEMPT MINUTES OF THE MEETING HELD ON 6TH DECEMBER 2010 (Pages 153 - 156)	Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.
14 INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS REPORT (Pages 157 - 190)	Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

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Agenda Item 3

AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.30 pm on 6 December 2010

Present:

Councillor Michael Tickner (Chairman)
Councillor Lydia Buttinger (Vice-Chairman)
Councillors Reg Adams, Nicholas Bennett J.P.,
Simon Fawthrop, Julian Grainger and Stephen Wells

25 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Councillor Simon Fawthrop recorded apologies for lateness.

26 DECLARATIONS OF INTEREST

Councillors Julian Grainger and Stephen Wells declared personal interests in relation to the Local Government Pension Scheme and as local authority appointed school governors.

During consideration of the Internal Audit Progress Report, in relation to the Debtors, Councillor Simon Fawthrop declared a personal interest as an employee of a utility company.

27 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions were received.

28 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 16TH SEPTEMBER 2010 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

RESOLVED that the minutes of the meeting held on 16th September 2010 be confirmed.

29 MATTERS OUTSTANDING FROM THE LAST MEETING

The following outstanding matters were discussed:-

(a) Waivers (Minute 19(h), 16th September 2010)

Members noted that a report would be considered by the Sub-Committee every six months. As the Sub-Committee had last considered a report in

September 2010, the next report should be presented in March 2011 however, the Deputy Chief Internal Audit explained that the report may be presented in June 2011.

(b) Risk Management (Minute 19(I), 16th September 2010)

The Chairman noted that the one page guide to risk management had been circulated amongst appropriate officer networks and suggested that this could now be removed from the matters outstanding.

30 EXTERNAL AUDIT REPORTS (A) 2009/10 REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) (B) 2009/10 ANNUAL AUDIT LETTER
Report DR10108

The Sub-Committee considered a report summarising the results of the external audit work undertaken by PriceWaterhouseCoopers for the 2009/10 audit. The report set out:

- Matters arising from their audit of the financial statements, including the pension fund accounts, which they are required to report to Members under the Audit Commission's Code of Audit Practice and International Standard on Auditing (UK & Ireland) 260 - "Communication of audit matters with those charged with governance"
- The results of their work under the Code of Audit Practice, to support the Value for Money conclusion
- Any changes to the audit plan(s) presented to Members in November 2009
- An audit fee update.

The auditors had also prepared the Annual Audit Letter to provide a high level summary accessible for members and other interested stakeholders. The matters reported in their Annual Audit Letter were those that they considered were the most significant for the Authority and a summary of the key recommendations that they had made could be found in Appendix A of the letter attached to the report.

Representatives from PriceWaterhouseCoopers attended the meeting and answered Members questions. During questioning the Sub-Committee was told that during the external audit process internal audit processes and controls had been reviewed. External auditors worked closely with the Council's internal audit department and information gathered through this process had been used to develop testing for the financial statement audit.

The Chairman asked the External Auditors for their observations on International Financial Reporting Standards (IFRS). The Auditors explained that IFRS was a significant exercise and LBB had been making good progress on the standards for having work completed in time for the publication of the 2010/11 accounts.

The Sub-Committee considered the importance of Value for Money (VFM) and the External Auditors stated that it was good that the Council's Internal Audit had a role in monitoring VFM. In terms of reviewing use of resources, the Auditors reported that they would be undertaking targeted VFM work and as part of this they had to assure themselves that the Council had processes in place to monitor the use of resources. A Member of the Sub-Committee asked the Auditors to comment on use of resources work as, despite a reduction in the work that was required, the fee for the work had remained the same and had not reduced. The Auditors explained that the work reported in the financial statement was work that had been undertaken in 2009, prior to the requirements being reduced. For 2009/10 the Auditors had undertaken all the work required for the use of resources report, however the requirement to publish the report had been withdrawn. The Director of Resources had been provided with the indicative scores for the Council. The fee for this year's work on use of resources would be reported in the 2010/2011 financial statement.

Referring to the Key Lines of Enquiry and the issue of financial reporting, a Member of the Sub-Committee asked who the stakeholders were and how the Auditors could assess whether the reporting met the needs of local people. The Auditors reported that they had worked with the Director of Resources and reviewed the budget process undertaken by the Council and the consultations that had been undertaken throughout the budget process. Another Member noted that the requirements for the effective use of natural resources had been met in 2008/09 but appeared not to have been met in 2009/10. The Auditors explained that the first year for this reporting was 2008/09 however, in 2009/10 there was not a requirement to report on this specific issue.

In response to a question surrounding whether as part of the external audit the Council's returns and balances had been considered to see if they represented VFM. The Auditors responded that the processes around treasury management would have been analysed as part of the audit. It was considered that the Council had tight management of treasury returns and the reserves currently held by the Local Authority were appropriate.

The Sub-Committee considered the levels of reserves that would be prudent and responsible. The Director of Resources reported that LBB was a heavily outsourced organisation and there were significant spending pressures within Adult and Community Services. As a result of these factors the Council needed a higher level of reserves than an authority that had more in-house services with greater financial flexibility.

In response to a question from the Chairman regarding the process for external audit once the Audit Commission had disbanded. The Auditors reported that there were still a number of unanswered questions and there were as yet no definitive answers. However, it was likely that local authority Sub-Committees would have a significant role to play in appointing auditors.

The Chairman thanked the representatives from PriceWaterhouseCoopers for attending the meeting and sharing their views with Members.

In response to a question from a Member regarding the presentation of accounts, the Director of Resources explained that the accounts for 2010/11 would be prepared under the new IRFS system. The main area of change would be around the valuation of property. Another Member requested that the Committee be sent Microsoft Excel versions of financial data to enable Members to analyse the accounts. The Director of resources agreed that files could be made available on One Bromley once appropriate requirements of Members were clarified.

RESOLVED that the reports be noted.

31 CODE OF CORPORATE GOVERNANCE **Report DR10103**

The revised Code of Corporate Governance had been drafted by officers and was issued for consultation with the Standards Committee and the Audit Sub-Committee. The revised Code incorporated the additional governance requirements resulting from CIPFA's *Statement on the Role of the Chief Financial Officer in Local Government (2010)*. It also provided a framework for ensuring that the Annual Governance Statement reflected compliance with the CFO Statement.

Councillor Grainger expressed reservations regarding the four key roles of the Local Authority listed in paragraph 3.2 of the report as he did not feel that the roles listed were core priorities for Bromley. Referring to paragraph 3.6 of the covering report, Councillor Grainger also stressed that it was the Council that decided the arrangements for the proper administration of its financial affairs.

The Sub-Committee reviewed the changes that had been made to the Corporate Code of Governance:

Page 21: The Constitutional Improvement Working Group had produced four reports and not three as stated.

Page 23: Referring to the first supporting principle, Councillor Grainger suggested that this should be listed as a matter outstanding. There were 64 functions in the Schedule of Delegations that remained unclear as they were listed under 'Leader/Council'. As a result of this the principle of being clear about executive and non-executive functions was not being achieved.

Page 24: Referring to the second shaded section, the Director of Resources explained that the amendment clarified that the Director of Legal, Democratic and Customer Services was also the Monitoring Officer. The Sub-committee suggested that to ensure clarity the amendment should read: *...the Director of Legal, Democratic and Customer services (who is currently the Monitoring Officer)...*

Page 28: Referring to the fifth shaded section, the Sub-Committee suggested that the paragraph should be amended to read: *...are provided with appropriate financial training and tools on an ongoing basis...*

RESOLVED that the amendments outlined above be agreed and the revised Code of Corporate Governance be noted.

32 INTERNAL AUDIT PROGRESS REPORT Report DR10100

The Sub-Committee considered a report that informed Members of recent audit activity across the Council and provided updates on matters arising from the last Audit Sub Committee. The following matters were raised in particular:

(a) Use of cash payments across the Council

Members received an update on the use of purchase cards and pre-paid cards. The Sub-Committee heard that the value of transaction on the cards was between £40 and £200. The cards could be used for payments on travel, sundry items, hotel accommodation and internet purchases. Members heard that there was a transparent process for monitoring usage of the cards with line managers, internal audit, corporate procurement and the finance department authorised to monitor the use of the cards. Purchase cards were also paid every month which meant that no outstanding balance remained on the cards.

The Sub-Committee considered moving to an Oyster card based scheme for the pre-paid cards for young people leaving care. Members felt that the use of Oyster cards would be a natural progression as young people would have experience of using Oyster cards. The Head of Corporate Procurement stressed that young people were free to spend the money on the pre-paid cards as they wished. The Director of Resources suggested that the use of Oyster cards would have to be explored further in the future.

The Sub-Committee were told that personalised cards would be rolled out from the end of January 2011. In terms of the pre-paid cards for CYP a contractor had been appointed and the project would commence in January 2011.

The Head of Corporate Procurement stressed that the system of purchase cards would provide the Local Authority with better procurement intelligence and would provide all the information the Council needed in developing a procurement strategy.

RESOLVED that the Sub-Committee receive an update report on purchase cards and pre-paid cards in December 2011.

(b) Previous Priority One Recommendations

(During consideration of this item Councillor Simon Fawthrop declared a personal interest as an employee of a utility company and the parent of a child in a Bromley school.)

(i) Debtors

Referring to paragraph 3.16, Councillor Julian Grainger suggested that it would be helpful to have more detailed information on the debtors in each of the subsets listed in Appendix (i) as this would allow Members to have a clearer picture of whether debts were decreasing or increasing in each subset. The Head of Benefits and Revenues responded that the detailed information was reported to the Executive and Resources PDS Committee but suggested that a more sophisticated data set could be provided to the PDS Committee in future.

Referring to Appendix (i) a Member asked what action had been taken to resolve the dispute between the school and department. The Head of CYP Finance reported that the dispute related to fees due to the Property Division. Following further investigation the Head of CP Finance would report back to the Sub-Committee. Members also suggested that a report should be provided to the Children and Young People PDS Committee on school debts.

Members considered the issue of schools transferring to academy status and the Head of CYP Finance reported that as schools transferred to academies any outstanding debts owed to the Local Authority could be recovered. During the process of the transfer to academy status the Local Authority would become a joint signatory on cheques and every effort would be made to recover debts at this time,

RESOLVED that a report outlining the issues of school debt be referred to the Children and Young People PDS Committee.

A Member noted that over half of the long term debtors were for residential care. The Director of Resources explained that the biggest part of this long term debt was where charges were placed on properties and the Council was waiting for properties to be sold. Members of the Sub-Committee suggested that this issue should be referred to the Adult and Community PDS Committee for further review.

RESOLVED that the Adult and Community PDS Committee should receive a report, including a breakdown of the ACS-General category for debts over a year old and should be asked to make recommendations on how to reduce the level of long-term debt.

(ii) IT Disaster Recovery

A Member suggested that it would be prudent to have a disaster recovery plan for both LB Bromley and LB Lewisham. The Director of Resources reported that this was currently being reviewed and a documented procedure would be implemented.

(iii) Officers' Expenses

A Member noted that expenses for subsistence within the CYP Department had increased. The Head of CYP Finance reported that he would investigate and send an email to Members of the Sub-Committee outlining the reasons for the increase in the expenses.

Another Member suggested that it would be helpful to have details of the number of officers claiming the expenses as this would allow a more proportional view of the levels of expenses being taken.

(iv) Housing Benefit Update

A Member asked if the Local Authority claimed all the legal costs. The Deputy Chief of Audit reported that he believed that solicitor costs were recovered. The Assistant Director (Audit and Technical) suggested that the Sub-Committee should be provided with a breakdown of the costs that are recovered in the next report.

RESOLVED that an update be provided at the next meeting and that Officers seek to recover all reasonable costs incurred in Housing Benefit prosecutions.

The Sub-Committee considered proposals for publicising to claimants the successes in prosecuting benefit fraud cases. A number of proposals were considered such as including the latest press releases in letters sent to claimants. Following discussion the Sub-Committee supported the idea of including logos highlighting the sanctions for benefit fraud and the number of people convicted of benefit fraud. The Chairman suggested that Officers should be tasked with considering the comments made by the Sub-Committee and developing a proposal that could be reported to the next meeting.

Councillor Nicholas Bennett also requested that Members have sight of the forms sent to claimants.

RESOLVED that a proposal for advising claimants about benefit fraud prosecutions be presented to the Sub-Committee at the next meeting.

In considering the future government proposals for the investigation of benefit fraud Members of the Sub-Committee expressed grave concerns surrounding whether a centralised government department could be as effective in tackling benefit fraud as a local centre with local knowledge. Members stressed the importance of local knowledge in combating fraud.

RESOLVED that:

- (a) the Chairman write to the Department for Work and Pensions on behalf of the Sub-Committee to outline Member's concerns regarding the government's proposals for the investigation of benefit fraud;**

- (b) the matters arising from the internal audit progress report be noted;
- (c) the breakdown for officer expenses be noted;
- (d) the continuing achievements of the counter fraud benefit partnership with Greenwich Council be noted; and
- (e) the success of partnership working with LB Greenwich be noted and referenced as a model for future such arrangements.

33 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000

RESOLVED the Press and public be excluded during consideration of the items of business listed below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

34 EXEMPT MINUTES OF THE MEETING HELD ON 16TH SEPTEMBER 2010

The exempt minutes of the meeting held on 16th September 2010 were confirmed.

35 INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS REPORT

The Sub-Committee considered a report informing Members of recent Internal Audit activity on investigations across the Council and providing an update on matters arising from the last Audit Sub Committee meeting. The report detailed new areas investigated, expanded on cases of interest, detailed the cases on the fraud register and provided a further update on the results of the National Fraud Initiative (NFI).

The Meeting ended at 11.10 pm

Chairman

Agenda Item 5

Report No.
LDCS11041

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: **Audit Sub-Committee**

Date: **16th March 2011**

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

Title: **MATTERS OUTSTANDING FROM PREVIOUS MEETINGS**

Contact Officer: Lauren Wallis, Democratic Services Officer
Tel: 020 8461 7594 E-mail: lauren.wallis@bromley.gov.uk

Chief Officer: Mark Bowen - Director of Legal, Democratic and Customer Services

Ward: Not applicable

1. Reason for report

- 1.1 To advise the Sub-Committee of matters outstanding from previous meetings and progress made. Twenty items are listed from the Sub-Committee's two previous meetings.
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2. **RECOMMENDATION(S)**

That progress with matters outstanding from previous meetings be noted.

Corporate Policy

1. Policy Status: N/A.
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A.
 3. Budget head/performance centre: Democratic Services
 4. Total current budget for this head: £434,444
 5. Source of funding: 2010/11 Budget
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Staff

1. Number of staff (current and additional): There are 10 posts in the Democratic Services Team
 2. If from existing staff resources, number of staff hours: Monitoring the Committee's matters arising takes a few hours staff time between each meeting.
-

Legal

1. Legal Requirement: No statutory requirement or Government guidance.
 2. Call-in: Call-in is not applicable. This report does not involve an executive decision.
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): This report is intended primarily for the benefit of Sub-Committee Members.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 Attached is a list of matters outstanding from previous meetings of the Audit Sub-Committee and progress made on those matters. Would Members please note that once an outstanding matter is considered completed by the Sub-Committee then it will be removed from future lists.

Non-Applicable Sections:	Policy, Financial, Legal and Personnel.
Background Documents: (Access via Contact Officer)	The minutes of previous meetings of the Audit Sub-Committee

AUDIT SUB-COMMITTEE - MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

Issue & Date	Summary	Action Being Taken	By	Estimated Completion
FMSiS Assessment of Secondary Schools Minute 19(f) 16.09.10	Suggested that CYP PDS Committee be asked to request that all Internal Audit reports are considered at a full meeting of the school's governing body.	Considered by CYP PDS Committee on 24.01.11 who endorsed the recommendations received from Audit Sub-Committee.	Democratic Services Manager	December 2010 COMPLETE
Waivers Minute 19(h) 16.09.10	Commented that Waivers should be scrutinised by PDS Councillors and that more information should be provided in the "reason" column	Waivers will provide the additional level of information as requested. See Progress Report.	Deputy Chief Internal Auditor	Every meeting of Audit Sub
Partnership Working Minute 19(j) 16.09.10	Requested that the Executive examine the possibilities for further joint working.	Opportunities for partnership working are being considered. See further update on Progress Report.	Assistant Director: Audit & Technical	March 2011
Internal Audit and Value for Money Reporting Minute 20 16.09.10	Report referred to (a) I&E Sub-Committee, (b) Development Control Committee and Renewal and Recreation PDS Committee (re Building Control) and (c) Adult and Community PDS Committee (re Homecare).	I&E Sub-Committee (13.10.10), Development Control Committee (23.11.10), Renewal and Recreation PDS Committee (07.12.10) and Adult and Community PDS Committee (25.01.11) endorsed the approach to VfM reporting.	Democratic Services Manager	January 2011 COMPLETE
Use of Cash Payments across the Council – Purchase Cards & Pre-paid Cards Minute 32(a) 06.12.11	Audit Sub-Committee requested an update report on Purchase Cards and Pre-paid Cards.	Next update to be considered by Audit Sub-Committee in December 2011	Deputy Chief Internal Auditor	December 2011
General Debtors Minute 32(b)(i) 06.12.10	It was suggested that more detailed information on the debtors in each of the subsets listed be included in Appendix (i).	More detailed information on the debtors being included in the report submitted to the E&R PDS Committee. See Progress Report.	Head of Benefits	March 2011
School Debtors Minute 32(b)(i) 06.12.10	What action was being taken to resolve the dispute between school and department relating to fees.	See Progress Report.	Head of CYP Finance	March 2011 COMPLETE

General Debtors Minute 32(b)(i) 06.12.10	It was agreed that a report outlining the issues of school debts to be submitted to CYP PDS Committee.	Report to CYP PDS Committee on 03.05.11.	Head of CYP Finance	CYP PDS on 03.05.11
A&CS Debtors Minute 32(b)(i) 06.12.10	It was agreed that a report including the breakdown of the ACS-General category for debts over a year old be submitted to A&C PDS Committee and the Committee be asked to make recommendations on how to reduce the level of long term debt.	Addressed in the progress report and will be reported to the next meeting of A&C PDS Committee on 29.03.11.	Deputy Chief Internal Auditor	A&C PDS on 29.03.11
C&YP Officers' Expenses Minute 32(b)(iii) 06.12.10	Email to Audit Sub-Committee outlining the reasons for the increases in expenses of CYP Dept together with the number of officers claiming the expenses.	See Progress Report.	Head of Finance (CYP)	March 2011 COMPLETE
Housing Benefit Update Minute 32(b)(iv) 06.12.10	A Housing Benefit update to be provided to the next meeting of the Audit Sub-Committee.	This issue will be addressed in the Progress Report.	Deputy Chief Internal Auditor	March 2011
Housing Benefit Claimant Information Minute 32(b)(iv) 06.12.10	Resolved that a proposal for advising claimants about benefit fraud prosecutions be presented to the next meeting of the Audit Sub-Committee.	This matter is in hand and will be addressed in the Progress Report.	Deputy Chief Internal Auditor	March 2011
Housing Benefit – Letter to Minister re Housing Benefit Centralisation Minute 32(b)(iv) 06.12.10	The Chairman to write to the DWP on behalf of the Audit Sub to outline concerns regarding the Government's proposals for the investigation of benefit fraud.	Audit officers forwarded a draft letter to the Chairman of Audit Sub-Committee.	Chairman of the Audit Sub-Committee.	March 2011
Emergency Accommodation and Rent Accounts Minute 35/1 (a) 06.12.10 (Part 2)	Outcomes of investigation to be reported to the next meeting of Audit Sub-Committee.	See Fraud Investigation Report	Head of Benefits	March 2011

Emergency Accommodation Follow Up of Priority One Minute 35/1 (a) 06.12.10 (Part 2)	Outcomes of investigation to be reported to the next meeting of Audit Sub-Committee.	See Fraud Investigation Report	Deputy Chief Internal Auditor	March 2011
Children and Family Centres Minute 35/1 (b) 06.12.10 (Part 2)	1. This matter was referred to CYP PDS Committee for consideration; 2. Audit Sub-Committee to receive a further report providing more detail regarding the issues raised; and 3. Officers to consider pursuing the two individuals involved for fraud.	1. This matter was considered by CYP PDS Committee on 24.01.11 that made a number of recommendations to be considered by the Portfolio Holder. 2. Audit to receive a further report providing more detail regarding the issues raised in March 2011; and 3. Officers to consider pursuing the two individuals involved for fraud.	Director of CYP to be invited to the meeting.	March 2011
Burnt Ash Primary School Minute 35/1 (c) 06.12.10 (Part 2)	A report to be presented to CYP PDS Committee (20.12.10).	The report was submitted to CYP PDS Committee on 24.01.11 and the outcome is recorded in the confidential minutes of this meeting. Further update to the Committee in March 2011	Head of Finance - CYP	March 2011
Student Exemption Fraud – Case 257 Minutes 35/1 (e) 06.12.10 (Part 2)	Resolved that the Department of Education be notified of this case.	Chairman to send letter to Department of Education. The CLG has been informed if this issue and is taking action. Further update to future meeting.	Deputy Chief Internal Auditor / Chairman	June 2011
Intercepted Cheque – Hayes Primary School Minute 35/1 (f) 06.12.10 (Part 2)	The Chairman to write, on behalf of Audit Sub-Committee, to the Chairman of the Bank drawing attention to the matter and the lack of co-operation received by the Council.	Action deferred as the update may negate the need to write to the bank. See Fraud Investigation Report.	Chairman of Audit Sub-Committee	June 2011
Council Tax Exemptions Minute 35/1 (g) 06.12.10 (Part 2)	Resolved that a report outlining a breakdown of exemption statistics be considered at the next meeting of Audit Sub-Committee.	Addressed in the March 2011 report.	Head of Benefits	March 2011 COMPLETE

Report No.
DR 11021

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: **Audit Sub Committee**

Date: **16th March 2011**

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

Title: **INTERNAL AUDITOR NOMINATIONS REPORT**

Contact Officer: Luis Remedios, Deputy Chief Internal Auditor
Tel: 020 8313 4588 E-mail: luis.remedios@bromley.gov.uk

Chief Officer: Paul Dale, Director of Resouces and Deputy Chief Executive

Ward: All

1. Reason for report

1.1 This report informs Members of Internal Auditor nominations for the 'Auditor for the Year'.

2. **RECOMMENDATION(S)**

a. **Note the report and decide the successful winner of the award to be presented by the Mayor.**

Corporate Policy

1. Policy Status: N/A.
 2. BBB Priority: N/A.
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Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A.
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £587,520 excluding the benefit fraud partnership costs but subject to reduction.
 5. Source of funding: N/A
-

Staff

1. Number of staff (current and additional): 10 FTE
 2. If from existing staff resources, number of staff hours: N/A
-

Legal

1. Legal Requirement: No statutory requirement or Government guidance.
 2. Call-in: Call-in is not applicable.
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 180 including Chief Officers, Head Teachers/Governors
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments: None

3. COMMENTARY

Members asked audit management to nominate auditors whom it was felt had provided a significant contribution to work that they had completed in 2010/11. The nominations have considered audits that have identified matters resulting in material action being taken; pioneering new methods of working that resulted in resources being maximised; and adapting to partnership working that will benefit the audit section and generate income.

3.1 Auditor of the Year Nominations

3.2 Auditor A who has diligently managed the school audit programme for a number of years. In the current financial year the auditor has devised, tested, trained and driven the assisted audit programme through for secondary school audits that has saved between 40 and 50 days off the 2010/11 plan. A couple of authorities have asked for details of this programme. Also, the auditor had to adapt to the government decision to abolish FMSiS with immediate effect midway through the year and reinvent an audit programme for schools on the audit plan that had not been FMSiS assessed. With the advent of academies the auditor has had to adapt yet another programme for closure audits for the two secondary schools that will be adopted for other schools.

3.3 Auditor B who has produced two major pieces of work worthy of mention. During a routine audit of temporary accommodation and rent accounts they uncovered major issues in the latter that resulted in several priority ones, potential losses and a nil assurance opinion that warranted urgent management action including an inquiry. The auditor was also involved in a major fraud investigation that identified malpractice, resulting in a dismissal of an officer and referral to the police. The report contained a number of recommendations including a priority one that have all been adopted by management.

3.4 Auditor C who on request agreed to be the first to carry out an audit on Highways Maintenance for Greenwich. Apart from generating income for LB Bromley, the conduct quality and outcome of the report and its findings is perceived as highly relevant in the impending decision by LB Greenwich to enter into partnership working from 2011/12 that will generate £100k to this authority. The auditor has had to learn new systems, liaise with Greenwich management and adapt to their method of reporting.

4. POLICY IMPLICATIONS

None.

5. FINANCIAL IMPLICATIONS

None.

6. PERSONNEL IMPLICATIONS

None.

Non-Applicable Sections:	[List non-applicable sections here]
Background Documents: (Access via Contact Officer)	

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Agenda Item 7

Report No.
DR 11022

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: **Audit Sub Committee**

Date: **16th March 2011**

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

Title: **External Audit Reports**

Contact Officer: Mark Gibson, Assistant Director Resources (Audit and Technical)
Tel: 020 8313 4295 E-mail: mark.gibson@bromley.gov.uk

Chief Officer: Paul Dale, Director of Resources and Deputy Chief Executive

Ward: All

1. Reason for report

- 1.1 This report informs Members of the external audit findings on their certification of 2009/10 grants.
-

2. RECOMMENDATION(S)

Members are asked to note the reports and comment on them as appropriate

Corporate Policy

1. Policy Status: Existing policy.
 2. BBB Priority: Excellent Council.
-

Financial

1. Cost of proposal: N/A
 2. Ongoing costs: Recurring cost. £53,668 in audit fees
 3. Budget head/performance centre: External Audit
 4. Total current budget for this head: £317,110 excluding Pension and Grant certification fees.
 5. Source of funding: N/A
-

Staff

1. Number of staff (current and additional): PwC team
 2. If from existing staff resources, number of staff hours: n/a
-

Legal

1. Legal Requirement: Statutory requirement. Code of Audit Practice
 2. Call-in: Call-in is not applicable.
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): All stakeholders
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments: None

3. COMMENTARY

The attached report issued by the external Auditor is presented for Member information and comment. A representative from PWC Bromley's External Auditors will be present at the meeting.

3.1 Annual Grant Claim Certification Report

The attached report is the first annual report summarising the results of the external auditor's 2009/10 grant claim certification work. The purpose of the letter is to provide a high level overview of the results of the certification work that has been undertaken at the London Borough of Bromley ("the Council").

The results of certification work are considered when performing other Code of Audit Practice work at the Council, including for our conclusions on the financial statements, use of resources, data quality, and financial management.

All claims brought to the attention of the auditor have been audited. All deadlines for submission of audited claims/returns were met. In total 8 claims and returns totalling £232,358,743 were certified including housing and council tax benefit subsidy claim where the amount involved was £122,653,947 as amended, the National Non Domestic Rate return for £78,862,499 down to the Single Programme (LDA) Child Affordability for £40,073.

The report states that three of the returns were amended but with two having no overall impact on the value of the claim. The housing benefit and council tax benefit had an amendment in value of £719.

Two recommendations were made in the report- an awareness issue for Bromley officers on work to be carried out for grant certification requirements by external audit which arose on the Child Affordability Programme phase 1 and 2. The second recommendation was in relation to council and housing benefit subsidy where following an error identified by external audit it suggested that officers review the current checking processes in place to ensure level of accuracy of claims.

4. FINANCIAL IMPLICATIONS

4.1 Claims and returns totalling £232,358,743 were audited. Grant certification fees total £53,668.

Non-Applicable Sections:	Legal and Personnel
Background Documents: (Access via Contact Officer)	None

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London Borough of Bromley Certification Report (2009/10)

*Certification Report to
those charged with
governance (2009/10)*

February 2011





Audit Sub Committee
London Borough of Bromley
Bromley Civic Centre
Stockwell Close
Bromley
BR1 3UH

January 2011

Our Reference: JD/SB/01

Ladies and Gentlemen

Certification Report (2009/10)

We are pleased to present our Annual Certification Report summarising the results of our 2009/10 grant certification work. The purpose of this report is to provide a high level overview of the results of certification work we have undertaken at the London Borough of Bromley on 2009/10 claims and returns that is accessible for members and other interested stakeholders.

Fees for 2009/10 certification work are summarised in Appendix A.

Results of Certification work

During the period June – November 2010 we certified eight claims and returns worth a total of £233,758,991. Of these, three were amended following the certification work undertaken and one required a qualification letter to set out the issues arising from the certification of the claim/return. We set out further details in the attached report.

We ask the Audit Committee to consider:

- the adequacy of the proposed management action plan for 2009/10 set out in Appendix B; and
- the adequacy of progress made in implementing the prior year action plan (Appendix C).

Yours faithfully,

PricewaterhouseCoopers LLP

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Introduction

Introduction

Scope of work

Grant-paying bodies pay billions of pounds in grants and subsidies each year to local authorities and often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them. Certification work is not an audit but a different kind of assurance engagement. This involves applying prescribed tests, as set out within Certification Instructions (“CIs”) issued to us by the Audit Commission, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

The Audit Commission is required by law to make certification arrangements for grant-paying bodies when requested to do so and sets thresholds for claim and return certification, as well as the prescribed tests which we as local government appointed auditors must undertake. We certify claims and returns as they arise throughout the year to meet the certified claim/return submission deadlines set by grant-paying bodies.

We consider the results of certification work when performing other Code of Audit Practice work at the Authority, including for our conclusions on the financial statements and on value for money.

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2010 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and of audited bodies’. It is available from the Chief Executive of each audited body and on the Audit Commission’s website. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns

In November 2010 the Audit Commission updated the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns'. This is available from the Audit Commission's website. The purpose of this statement is to summarise the Audit Commission's framework for making certification arrangements and to assist grant-paying bodies, authorities, and the Audit Commission's appointed auditors by summarising their respective responsibilities and explaining where their different responsibilities begin and end.

Results of Certification Work

Results of Certification Work

Claims and returns certified

A summary of the claims and returns certified during the year is set out below. In one case a qualification letter was required to set out significant issues arising from the certification of the claim/return. Three of the claims/returns were amended following the certification work undertaken. All deadlines for submission of certified claims/returns were met.

Claims and returns certified in 2009/10

CI Reference	Title	Form	Original Value (£)	Final Value ¹ (£)	Amendment	Qualification
BEN01	Housing and council tax benefit scheme	1	122,653,228	122,653,947	719	Yes ²
EYC02	Sure start, early years and childcare	2	7,753,903	7,753,903	-	No
HOU21	Disabled facilities	3	690,000	690,000	-	No
LA01	National non-domestic rates return	4	78,862,499	78,862,499	-	No
PEN05	Teachers' pensions return	5	22,170,297	22,170,297	-	No
RG31	Single programme (LDA) – Youth Officer	6	145,430	145,430	-	No
RG31	Single programme (LDA) – Childcare Affordability Programme Phase 1	7	42,594	42,594	-	No
RG31	Single programme (LDA) – Childcare Affordability	8	40,073	40,073	-	No

¹ Some amendments have no impact on the overall value of the claim.

² Note that the qualification issues described in the section below did not lead to the claim being amended. The amendment of £719 relates to a separate error that was isolated and enabled the claim form to be adjusted accordingly.

Issues arising

The issues identified during the course of our work are discussed below.

Weaknesses in internal control

Although not a weakness in internal control we did note an instance where officers were not aware of the certification requirements and the testing to be performed by PwC. This related to the Single Programme Youth Officer, Childcare Affordability Phase 1 and 2 grants.

Our recommendations to address this matter are set out in Appendix B. The progress made in addressing the issues noted in 2008/09 has been considered at Appendix C.

Non compliance with regulations/ terms and conditions

We have noted one instance of non-compliance with grant terms and conditions. This related to errors noted in the testing of the housing and council tax benefit subsidy which led to the qualification of the claim.

The risks of not addressing this issue and our recommendations for improvement are set out in Appendix B.

Weaknesses in financial reporting

No issues were identified in relation to financial reporting.

Prior year recommendations

We have reviewed progress made in implementing the certification action plan for 2008/09. Details can be found in Appendix C. Overall the Authority has made good progress in addressing these recommendations. In particular, measures have been put in place to address how the Council satisfies itself on the accuracy of the external data provided by schools which have a separate payroll system with the result that the Teachers Pension claim has not been qualified in 2009/10.

Appendices

Appendix A

Certification Fees

The fees for certification of each claim/return are set out below:

Claim/Return	2009/10 (£)	2008/09 (£)	Comment
BEN01	28,580	22,000	Increased work required during the 2009/10 certification exercise due to DWP requirement for additional work to be performed on the 2008/09 claim.
EYC02	2,990	2,860	-
HOU21	3,613	3,600	-
LA01	6,326	6,300	-
PEN05	5,026	4,850	-
RG31 – Youth Officer	3,568	1,900	Increased fee due to the complexity of the grant requiring further work, including correspondence with the LDA leading to amendments to the claim form.
RG31 – Phase 1	2,255	1,180	Increased fee due to performing additional work as the claim form was amended.
RG31 – Phase 2	1,310	1,180	-

These fees reflect the Authority's current performance and arrangements for certification. We are happy to discuss how we may assist further with your improvement, for example we can perform specific focussed, risk-based work in the areas covered by grant claims should that be required.

Appendix B

2009/10 Management Action Plan

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
Single Programme Youth Officer, Childcare Affordability Phase 1 and 2 (RG31) (31 July 2010)	During the certification we noted that in some instances the officers responsible for the grant claim were not aware of the certification requirements and the testing to be performed by PwC.	We will work with the Council in preparation for the 2010/11 grants certification work to ensure that all responsible officers are aware of the work that is likely to be undertaken on each grant claim.	The particular part of the grant claim that caused the issue no longer exists for 2010/11, but we will work with the Auditors in preparation for the 2010/11 grants certification work to ensure that all responsible officers are aware of the work that is likely to be undertaken on each grant claim.	Relevant grants contacts The work is ongoing
Housing and council tax benefits subsidy (BEN 01) (30 Nov 2010)	The testing of this grant requires us to provide assurance that the entries in each section of the form (non-HRA rent rebates, rent allowances, council tax benefits) have been completed in accordance with the guidance. During our 2009/10 certification of the claim our initial sample identified one error in council tax benefits where a period of overpayment had been classified as an eligible overpayment when it was a technical overpayment.	Officers may wish to review the current checking processes in place to ensure the level of accuracy of claims is appropriate. By testing a sample of claims the Council may gain additional assurance that claims are appropriate and comply with the relevant regulations in these areas.	Recommendations agreed Additional guidance has been given to staff in the areas of administration where errors were detected. This is being supplemented with a review of procedures and increased checking. Sample checking is already undertaken by LBB and the benefits contractor (Liberata), with results being advised to senior managers and Members. The accuracy requirement will be strengthened under the new Exchequer Services contract	Interim Head of Revenues & Benefits The work is ongoing

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
	<p>Further testing identified eight similar cases. The total errors in council tax benefits were £506.54.</p> <p>In rent allowances two errors were noted in our initial testing where a claimant with a regulated tenancy had been classified as having a standard tenancy and where the Council had been made aware of revised tax credits but had not calculated the claim correctly. Further testing did not identify any further errors in rent allowances. The total errors in rent allowances were £4,825.05.</p> <p>We were required to qualify the grant due to the issues noted above.</p>		commencing in April 2011.	



Claim/Return (deadline)	Issue	Recommendation	Recommendation status	Management response	Responsibility (Implementation date)
Not specific to any claim	During the audit we identified that in some instances the officers responsible for the grant claim were not aware of the type testing that PwC would be performing on the grant, although this is specified in the	<i>reduced where they are not used for management purposes or internal control and are prepared solely for the certification of the claim.</i> We will work with the Council in preparation for the 2009/10 grants audits to ensure that all officers responsible for grants preparation are aware of the work that is likely to be undertaken on each grant claim, based on the size and nature of the claim.	In progress	N/a	N/a

Claim/Return (deadline)	Issue	Recommendation	Recommendation status	Management response	Responsibility (Implementation date)
	certification instructions. Therefore this information was not always ready for when the audit started.				
	This may delay the start of the certification work and extend the time required to complete the work.				
Housing and council tax benefits subsidy (BEN 01) (30 Nov 2009)	The testing of this grant requires us to provide assurance that entries in each section of the form (non-HRA rent rebates,	Officers may wish to review the current checking processes in place to ensure the level of accuracy of claims is appropriate. By testing a sample of claims the Council	Outstanding	N/a	N/a



Claim/Return (deadline)	Issue	Recommendation	Recommendation status	Management response	Responsibility (Implementation date)
	rent rebates, rent allowances, council tax benefits) have been completed in accordance with the guidance.	may gain additional assurance that claims are appropriate and comply with regulations.	We therefore consider that the recommendation is still valid and have reported this in the 2009/10 action plan at Appendix B.		
	During our 2008/09 certification of the claim our initial sample testing identified one error whereby the incorrect claimant wages figure had been used to calculate the eligible payment. Further testing identified an				

Claim/Return (deadline)	Issue	Recommendation	Recommendation status	Management response	Responsibility (Implementation date)
	<p>additional error whereby water charges had been included in the eligible payments calculation. The total value of the two errors identified was £2,275, with the total value of the claim being £104,980,880 .</p> <p>We were required to quantify the grant due to the issues noted above.</p>				
Housing and council tax benefits subsidy	We noted that working papers were	We suggest that the Council considers standardising the	Implemented	N/a	N/a

Claim/Return (deadline)	Issue	Recommendation	Recommendation status	Management response	Responsibility (Implementation date)
(BEN 01) (30 Nov 2009)	generally very good but when detailed testing was performed it was often difficult and time consuming for Council officers to identify supporting documents for individual claimants due to the way in which these were titled when they are scanned onto the system.	categorisation of supporting documents to make their retrieval easier.	We did not note any instances where it was difficult and time consuming for Council officers to identify supporting documents for individual claimants.		
Teachers pensions return (PEN 05) (30 Nov 2009)	The working papers for this grant were generally easy to follow and comprehensive	We have since met with members of the Children and Young People's (CYP) Finance team to discuss how the	Implemented	N/a	N/a
			The Council has introduced new measures to ensure that it is satisfied on the accuracy of the external		

Claim/Return (deadline)	Issue	Recommendation	Recommendation status	Management response	Responsibility (Implementation date)
	<p>e. However, at the time of our fieldwork there was insufficient information available detailing how the Council satisfies itself on the accuracy of the external data provided by schools which have a separate payroll system.</p>	<p>Council obtains assurance over the payroll information provided by 3rd party suppliers.</p> <p>It was clear from our discussions that assurance is obtained from several different sources and it was agreed that this would be articulated and demonstrated for the 2009/10 grant certification.</p>	<p>data provided by schools which have a separate payroll system.</p>		

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Agenda Item 8

Report No.
DR 11023

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: **Audit Sub Committee**

Date: **16th March 2011**

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

Title: **EXTERNAL AUDIT REPORTS-2010/11 ANNUAL AUDIT PLAN
AND 2010/11 PENSION FUND AUDIT PLAN**

Contact Officer: Mark Gibson, Assistant Director Resources (Audit and Technical)
Tel: 020 8313 4295 E-mail: mark.gibson@bromley.gov.uk

Chief Officer: Paul Dale, Director of Resources and Deputy Chief Executive

Ward: All

1. Reason for report

1.1 This report informs Members of the external audit activity for 2010/11 annual audit plan and pension fund plan.

2. **RECOMMENDATION(S)**

Members are asked to note the reports and comment on them as appropriate

Corporate Policy

1. Policy Status: Existing policy.
 2. BBB Priority: Excellent Council.
-

Financial

1. Cost of proposal: N/A
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: External Audit
 4. Total current budget for this head: £317,110 excluding Pension and Grant certification fees.
 5. Source of funding: N/A
-

Staff

1. Number of staff (current and additional): PwC team
 2. If from existing staff resources, number of staff hours: n/a
-

Legal

1. Legal Requirement: Statutory requirement. Code of Audit Practice
 2. Call-in: Call-in is not applicable.
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): All stakeholders
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments: None

3. COMMENTARY

The attached reports issued by the external Auditor are presented for Member information and comment. A representative from PWC Bromley's External Auditors will be present at the meeting.

3.1 External Audit plan 2010/11

The attached 2010/11 External Audit Plan has been prepared to inform the officers and Members of London Borough of Bromley (the Council) about the responsibilities the external auditors have and how they plan to discharge them.

The audit fee for the London Borough of Bromley is calculated using a fee scale formula set by the Audit Commission. A scale fee is set for the authority based on its size and location and can be adjusted up or down based on the auditors assessed level of risk. The adjustment for risk can be made within a range of plus 25% or minus 20% of the scale fee.

In PWC's experience the majority of local authorities are assessed at or close to the scale fee, however, they have assessed the London Borough of Bromley as low risk and therefore have reduced the calculated scale fee of £361,500 by the maximum 20%.

This plan sets out in more detail the proposed audit approach for the year. Every Council is accountable for the stewardship of public funds. The responsibility for this stewardship is placed upon the Members and officers of the Council. The external auditor's principal objective is to carry out an audit in accordance with the Audit Commission's Code of Audit Practice (the Code) that was last updated in March 2010.

Based upon discussion with management and the external auditor's understanding of the Council and the local government sector, recent developments and other relevant risks have been factored in. The Plan has been drawn up to consider the impact of these developments and risks.

The external auditor also thanks Members and officers of the Council for their help in putting together this Plan. The Plan outlines the audit approach for the period 1 April 2010 to 31 March 2011, including the 2010/11 final accounts audit which is undertaken in the summer of 2011. The detailed plan is attached. (appendix 1)

3.2. Pension Fund Audit Plan 2010/11

The attached Pension Fund Audit Plan 2010/11 sets out details of the proposed areas of coverage based on an assessment of business audit risks. The audit of the Pension Fund is carried out in accordance with the Audit Commission's Code of Practice.

4. FINANCIAL IMPLICATIONS

External Audit fees for 2010/11 work are estimated at £374,200. Included in this amount is a fee of £35,000 for audit of the pension fund.

Non-Applicable Sections:	Legal and Personnel
Background Documents: (Access via Contact Officer)	Use of Resources report 2008/9

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London Borough of Bromley

2010/11 Audit Plan

March 2011

Audit Sub Committee,
London Borough of Bromley,
Civic Centre,
Stockwell Close,
Bromley,
BR1 3UH

04 March 2011

Ladies and Gentlemen,

We are pleased to present to you our 2010/11 Audit Plan, which includes an analysis of key risks, our audit strategy, reporting and audit timetable and other matters. Discussion of our plan with you ensures that we understand your concerns and that we agree on our mutual needs and expectations to provide you with the highest level of service quality. Our approach is responsive to the many changes affecting London Borough of Bromley.

We would like to thank Members and officers of the Council for their help in putting together this Plan.

If you would like to discuss any aspect of our Audit Plan please do not hesitate to contact either Janet Dawson or Stuart Brown.

Yours faithfully,

PricewaterhouseCoopers LLP

Encs

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body and on the Audit Commission's [website](#).

The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas.

Our reports are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Introduction

The purpose of this plan

Our Audit Plan has been prepared to inform the officers and Members of London Borough of Bromley (the Council) about our responsibilities as your external auditors and how we plan to discharge them.

We issued our audit fee letter, set out our indicative fees for 2010/11, on 25th March 2010 in accordance with Audit Commission requirements. This plan sets out in more detail our proposed audit approach for the year.

Every Council is accountable for the stewardship of public funds. The responsibility for this stewardship is placed upon the Members and officers of the Council. It is our responsibility to carry out an audit in accordance with the Audit Commission's Code of Audit Practice (the Code).

Based upon discussion with management and our understanding of the Council and the local government sector, we have noted in the next section recent developments and other relevant risks. Our plan has been drawn up to consider the impact of these developments and risks.

Period covered by this plan

This plan outlines our audit approach for the period 1 April 2010 to 31 March 2011, including the 2010/11 final accounts audit which we will undertake in July 2011.

Code of Audit Practice and Statement of responsibilities of auditors and of audited bodies

We perform our audit in accordance with the Audit Commission's Code of Audit Practice (the Code) which was last updated in March 2010. This is supported by the Statement of Responsibilities of auditors and of audited bodies (the Statement) which was updated in March 2010. Both documents are available from the Audit Commission's [website](#).

Risk assessment

Planning of our audit

We have considered the Council's operations and have assessed the extent to which we believe there are potential business and audit risks that need to be addressed by our audit. We have also considered our understanding of how your control procedures mitigate these risks. Based on this assessment we have determined the extent of our financial statements and use of resources audit work.

It is your responsibility to identify and address your operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. In planning our audit work, we assess the significant operational and financial risks that are relevant to our responsibilities under the Code and the Audit Commission's Standing Guidance. This exercise is only performed to the extent required to prepare our Plan so that it properly tailors the nature and conduct of audit work to your circumstances. It is not designed to identify all risks affecting your operations nor all internal control weaknesses.

In this plan we detail those areas which we consider to be significant risks relevant to our audit responsibilities and our response to those risks. Significant risks are those risks requiring special audit attention in accordance with auditing standards.

In addition, we also identify other risks affecting the Council and our response to these risks.

Our response includes details of where we are intending to rely upon internal controls, other auditors, inspectors and other review agencies and the work of internal audit, if applicable.

Risk assessment results

The following table summarises the results of our risk assessment and our planned response.

Risks	Audit approach
Significant Risks	
Revenue and Expenditure Recognition	
<p>There is a risk that the Council could adopt accounting policies or treat income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.</p>	<p>We will understand and evaluate controls relating to this risk and:</p> <ul style="list-style-type: none">• Seek to place reliance on internal audit work on key controls• Test key controls to confirm they are operating effectively. <p>We will consider the accounting policies adopted by the Council and subject income and expenditure to the appropriate level of testing to identify any material misstatement.</p>
Management Override of Controls	
<p>In any organisation, management may be in a position to override the financial controls that you have in place. A control breach of this nature may result in a material misstatement of the financial statements. For all of our audits, we are required to consider this risk and adapt our audit procedures accordingly.</p>	<p>We will understand and evaluate internal control processes and procedures as part of our planning work and will seek to place reliance on internal audit work on key controls and/or perform testing of relevant controls as part of the interim audit visit.</p> <p>We will review the appropriateness of journals processed during the year and at year end. We will also look carefully at any management estimations and consider if they are subject to bias.</p> <p>We will design and perform procedures to validate the business rationale for significant transactions that have taken place during the year, including ensuring that they have been accounted for in accordance with the relevant standards.</p>

Risks

Audit approach

2010/11 – the first year of reporting under IFRS

The transition to IFRS involves both new and considerably revised financial statements and an increase in the depth of disclosures required in the notes to the accounts. There is a risk of material errors in the restatements caused by the incorrect processing of reclassifications required to prepare the accounts in their new format and of material omissions of information required to be disclosed by the new Code of Practice on Local Authority Accounting.

We are currently working with the Council to review the 2008/09 and 2009/10 restatement work performed to date. There remain areas where work is still required by the Council to complete this exercise.

Further details on specific areas that may impact the Council as a result of the transition to IFRS are included in appendix B to this report.

We are working closely with the Council to ensure that you are aware of the main differences between IFRS and UK GAAP, and to resolve any accounting issues on a timely basis.

We will conclude our review of restated statements to identify disclosure issues at the planning stage of the audit. We will communicate the results of this review to management so they may take action to address issues in advance of the final audit.

At the final audit stage we will perform an independent 'hot review' of the financial statements and disclosures.

Responses to reduced funding (Medium Term Financial Strategy)

The Council is likely to be experiencing increased pressures on many of its budgets as economic conditions have worsened. This will impact the services that the Council is able to deliver and also the manner in which it delivers these.

Local government bodies are expected to make significant efficiency savings over the next three years. There is a risk that savings plans may not be robust or based on long term solutions which could result in short term, year end actions to ensure that the targets are met.

There are also risks in relation to financial reporting that the requirement to report particular financial results overrides best financial reporting practice.

Budget holders may feel under pressure to try to push costs into future periods, or to miscode expenditure to make use of resources intended for different purposes.

We will consider the entity's savings plans and how they feed into the medium term financial strategy. We will review this as part of our targeted value for money to consider the robustness of these plans.

We will also consider the accounting implications of any savings plans and would welcome early discussion of any new and unusual proposals. In particular, we will consider the impact of the efficiency challenge on the recognition of both income and expenditure.

We will review the Council's budget monitoring processes to identify any areas of concern. We will also bear these risks in mind when carrying out cut-off testing.

Other Risks

Redundancies, severance and ex-gratia payments

Terminating the contracts of senior staff could be high profile and costly. Common issues that may arise include:

- Contract of employment;
- Reasons for termination;
- Entitlement on severance, ex-gratia agreements and discretionary benefits;
- Value for money; and Compromise agreements, gardening leave, pay in lieu of notice and confidentiality and clawback clauses.

We will review any redundancy, severance and ex-gratia payments as part of our work on the accounts, including consideration of the legality and value for money of any such payments

Risks	Audit approach
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Capital Programme

There have been significant reductions in the funding available for local authority capital schemes. The Council has a well controlled capital programme, however it is now increasingly important that capital projects are robustly scrutinised and based on a robust financial appraisals before they are included on the capital programme. Failure to do so may result in the Council making inefficient capital decisions and not achieving value for money.

We will perform work around the capital programme and the controls and processes that the Council has in place as part of our audit of the capital.

This will be specifically focused on the process for appraising and approving projects before they are included on the capital programme.

Partnerships

As part of their operations the Council works in partnership with other parts of the public services and the private and voluntary sectors.

We will work with management to understand how the Council is working with key partners to obtain assurance over how these partnerships are being managed and value for money being obtained.

The current economic environment is one of significant change and pressure across all sectors which will impact on the way that the Council's partnerships operate.

It is important that the Council reviews the functionality and value for money of these partnerships to ensure that they continue to operate effectively and efficiently.

Personalisation

As part of the Governments approach to "Put People first" we are witnessing a shift towards personalisation.

We will work with management to understand the actions that are being undertaken around the personalization agenda, including how the risks are being mitigated.

As part of this every person who receives support, whether provided by statutory services or funded by themselves, will have choice and control over the shape of that support in all care settings.

We will review any work that Internal Audit have completed in this area

This creates a challenge for the Council in how they manage this new approach, the risk associated with it and how it monitors the overall spend that is occurring.

Our approach to the audit

Code of Audit Practice

Under the Audit Commission's Code there are two aspects to our work:

- Accounts including a review of the Annual Governance Statement; and
- Use of Resources.

We are required to issue a two-part audit report covering both of these elements.

Accounts

Our audit of your accounts is carried out in accordance with the Audit Commission's Code objective, which requires us to comply with International Standards on Auditing (ISAs) (UK & Ireland) issued by the Auditing Practices Board (APB). These standards have recently been fully updated and revised to improve their clarity and in some cases this is accompanied by additional audit requirements. We are required to comply with them for the audit of your 2010/11 accounts.

The previous standards have all changed to varying degrees, and a number have been fully revised and redrafted. In particular, the standards relating to estimates/fair values, related parties and the use of experts have been substantially revised. The areas most likely to require increased audit effort are accounting estimates/fair values and related parties. Both have an increased focus on assessing risk (including evaluating management's processes), introduce new audit requirements and may require additional information from yourselves. For example, we will be required to review the outcome of accounting estimates included in the prior period financial statements. Using the work of management's experts may also impact audit effort, with more specific audit procedures on, for example, evaluating the reasonableness of the expert's findings.

We plan and perform our audit to be able to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. We use professional judgement to assess what is material. This includes consideration of the amount and nature of transactions.

Our overall materiality for the Council is as a percentage of income; this represents the level at which we would consider qualifying our audit opinion. However, our audit work is planned to a lower materiality level.

However, ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are "clearly trivial". Matters which are clearly trivial are matters which we expect not to have a material effect on the financial statements even if accumulated. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial. We propose to treat misstatements less than £50k as being clearly trivial.

We will include a summary of any uncorrected misstatements identified during our audit in our year-end ISA (UK&I) 260 report.

Our audit approach is based on a thorough understanding of your business and is risk-driven. It first identifies and then concentrates resources on areas of higher risk and issues of concern to you. This involves breaking down the accounts into components. We assess the risk characteristics of each component to determine the audit work required.

We plan our work to have a reasonable expectation of detecting fraud where the potential effects would be material to the financial statements of the Council. Based on the level of management's control procedures, we consider whether there are any significant risks of fraud that may have a material impact on the financial statements and adapt our audit procedures accordingly. We also consider the risk of fraud due to management override of controls and design our audit procedures to respond to this risk.

Our audit approach is based on understanding and evaluating your internal control environment and where appropriate validating these controls, if we wish to place reliance on them. This work is supplemented with substantive audit procedures, which include detailed testing of transactions and balances and suitable analytical procedures.

We also aim to rely on the work done by internal audit wherever this is appropriate. We will ensure that a continuous dialogue is maintained with internal audit throughout the year. We receive copies of all relevant internal audit reports, allowing us to understand the impact of their findings on our planned audit approach.

Our Risk Assurance specialists will undertake a review of the general IT controls.

Work on the Whole of Government Accounts consolidation pack is included in the scope of the accounts audit.

Use of Resources

Our Use of Resources Code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

In accordance with recent guidance issued by the Audit Commission, in 2010/11 our conclusion will be based on two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Unlike in previous years, we will not be required to reach a scored judgement in relation to these criteria and the Audit Commission will not be developing 'key lines of enquiry' for each criteria. Instead, we will be carrying out sufficient work to allow us to reach a conclusion on your arrangements.

The Audit Commission has prepared a number of savings review guides to identify areas where value for money work could be performed. These include review guides on:

- Administration costs of revenues and benefits
- Efficiency of back office functions

We would be happy to discuss these guides with you further and look to identify any areas of work in these or other areas which may be beneficial to the London Borough of Bromley.

Local government pension fund

We have prepared a separate audit plan for work on the pension fund. This and other matters relating to the pension fund audit will be presented to those charged with governance for the pension fund, as well as to the officers and Members of the Council.

Our team and independence

Audit Team	Responsibilities
Engagement Partner Janet Dawson – third year on the engagement 0207 213 5244 Janet.r.dawson@uk.pwc.com	Engagement Leader responsible for independently delivering the audit in line with the Code of Audit Practice, including agreeing the Audit Plan, ISA (UK&I) 260 report and Annual Audit Letter, the quality of outputs and signing of opinions and conclusions. Also responsible for liaison with the Chief Executive and Members.
Engagement Senior Manger Stuart Brown – third year on the engagement 0207 804 7581 Stuart.brown@uk.pwc.com	Senior Manager on the assignment responsible for overall control of the audit engagement, ensuring delivery to timetable, delivery and management of targeted work and overall review of audit outputs. Completion of the Audit Plan, ISA (UK&I) 260 report and Annual Audit Letter.
Audit Manager: Accounts Matthew Williams – second year on the engagement 0207 212 5290 Matthew.w.williams@uk.pwc.com	Manager on the assignment responsible for managing our accounts work, including the audit of the statement of accounts, and governance aspects of the use of resources. Matthew will also be responsible for coordinating the use of resources audit programme

Our team members

It is our intention that staff work on the London Borough of Bromley audit each year, developing effective relationships and an in depth understanding of your business. We are committed to properly controlling succession within the core team, providing and preserving continuity of team members.

We will hold periodic client service meetings with you, separately or as part of other meetings, to gather feedback, ensure satisfaction with our service and identify areas for improvement and development year on year. These reviews form a valuable overview of our service and its contribution to the business. We use the results to brief new team members and enhance the team's awareness and understanding of your requirements.

Independence and objectivity

We have made enquiries of all PricewaterhouseCoopers' teams providing services to you and of those responsible in the UK Firm for compliance matters. There are no matters which we perceive may impact our independence and objectivity of the audit team.

Relationships and Investments

Senior officers should not seek or receive personal financial or tax advice from PwC. Members who receive such advice from us (perhaps in connection with employment by a client of the firm) or who also act as director for another audit or advisory client of the firm should notify us, so that we can put appropriate conflict management arrangements in place.

Independence conclusion

At the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the Council, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

Communicating with you

Communications Plan and timetable

ISA (UK&I) 260 (revised) 'Communication of audit matters with those charged with governance' requires auditors to plan with those charged with governance the form and timing of communications with them. We have assumed that 'those charged with governance' are the Audit Sub Committee. Our team works on the engagement throughout the year to provide you with a timely and responsive service. Below are the dates when we expect to provide the Audit SubCommittee with the outputs of our audit.

Stage of the audit	Output	Date
Audit planning	Audit Fee letter	March 2010
	Audit Plan	March 2011
Audit findings	Internal control issues and recommendations for improvement	March 2011
	ISA (UK&I) 260 report incorporating specific reporting requirements, including: <ul style="list-style-type: none">• Any expected modifications to the audit report• Uncorrected misstatements, i.e. those misstatements identified as part of the audit that management have chosen not to adjust• Material weaknesses in the accounting and internal control systems identified as part of the audit• Our views about significant qualitative aspects of your accounting practices including accounting policies, accounting estimates and financial statements disclosures.• Any significant difficulties encountered by us during the audit;• Any significant matters discussed, or subject to correspondence with, Management;• Any other significant matters relevant to the financial reporting process; and• Summary of findings from our use of resources audit work to support our value for money conclusion.	September 2011
Audit reports	Financial Statements including Use of Resources	September 2011
	Pension Fund Annual Report	September 2011
Other public reports	Annual Audit Letter A brief summary report of our work, produced for Members and to be available to the public.	November 2011

Audit budget and fees

The Audit Commission has provided indicative audit fee levels for Councils for the 2010/11 financial year, which depend upon the level of expenditure and potential risk. We have assessed the Council as low risk and based on your expenditure, the calculated audit fee for the Council is £289,200.

When the fees for the audit of the pension fund and grant certification programme are included this results in a total fee of £374,200.

	2010/11	2009/10
Accounts and use of resources fee*	289,200	248,000
Pension fund audit	35,000	35,000
Certification of grant claims and returns – see paragraph below	50,000	53,668
Additional work around Electors questions	-	5,500
Total	374,200	342,168

* The fee charged in 2010/11 on use of resources reflects the work performed during the spring of 2010, before the Government announcement to cease any further work on the 2010 assessment.

The Audit Commission have confirmed that they will provide a fee rebate directly to councils to cover:

- The additional costs of auditing IFRS based financial statements (6% of the scale fee)
- The elements of the Use of Resources work that were not concluded following the cessation of this work (3.5% of the scale fee).

We have based the fee level on the following assumptions:

- Officers meeting the timetable of deliverables, which we will agree in writing;
- We are able to place reliance, as planned, upon the work of internal audit;
- We are able to draw comfort from your management controls;
- We are able to place reliance on the following work of inspectors and internal audit in respect of our use of resources conclusion:
- No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- An early draft of the Annual Governance Statement being available for us to review prior to 31 March 2011; and
- Our use of resources conclusion and accounts opinion being unqualified.

If these prove to be unfounded, we will seek a variation order to the agreed fee, to be discussed in advance with you.

Certification of grant claims

Our fee for the certification of grant claims is based on the amount of time required to complete individual grant claims at standard hourly rates. We will discuss and agree this with the Director of Resources and his team.

Appendices

Appendix A: Other engagement information

The Audit Commission appoint us as auditors to London Borough of Bromley and the terms of our appointment are governed by:

- The Code of Audit Practice; and
- The Standing Guidance for Auditors

There are five further matters which are not currently included within the guidance, but which our firm's practice requires that we raise with you.

Electronic communication

During the engagement we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

PwC partners and staff may also need to access PwC electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access the PwC network via your internet connection and that they may do this by connecting their PwC laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and PwC (in each case including our respective directors, members, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

Access to audit working papers

We may be required to give access to our audit working papers to the Audit Commission or the National Audit Office for quality assurance purposes.

Quality arrangements

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the partner responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact Paul Woolston, our Audit Commission Lead Partner at our office at 89 Sandyford Road, Newcastle Upon Tyne, NE1 8HW, or Richard Sexton, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6RH. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Events arising between signature of accounts and their publication

ISA (UK&I) 560 (revised) places a number of requirements on us in the event of material events arising between the signing of the accounts and their publication. You need to inform us of any such matters that arise so we can fulfil our responsibilities.

If you have any queries on the above, please let us know before approving the Audit Plan or, if arising subsequently, at any point during the year.

Freedom of Information Act

In the event that, pursuant to a request which London Borough of Bromley has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. London Borough of Bromley agrees to pay due regard to any representations which PwC may make in connection with such disclosure and London Borough of Bromley shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, London Borough of Bromley discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

Appendix B: IFRS Transition – Areas of focus

As identified within the body of the report 2010/11 represents the first year under which the Council will prepare its financial statements under International Financial Reporting Standards (IFRS).

The following areas below are those that may have the most significant impact on the Council.

Leases

IFRS requires building and land elements of leases to be analysed separately, increasing the possibility that the land element may need to be classified separately as an operating lease. The lease accounting rules have also been extended to cover arrangements that have the substance of a lease even though they do not have the legal form of a lease. There is a risk that relevant agreements might not be identified and classified correctly and that income and expenses relating to the agreements might be accounted for inappropriately.

As part of the 2009/10 financial statements process, the Council was unable to obtain the information required to make all adjustments to recognise the Waste Management contract correctly in the financial statements. Though this was not material to the financial statements the Council should ensure that they engage the sufficient parties early enough in the process to obtain the necessary financial information to enable them to account for leases correctly.

This highlights the need to ensure that all of the information is available to be able to process the complex accounting adjustments needed to meet the requirements of IFRS.

Component Accounting

The new Code requires the separate depreciation of components of an item of Property, Plant and Equipment whose cost is significant in relation to the total cost of the item and which have a shorter useful life than the item as a whole. Where items have been insufficiently broken down into their component parts, there is a risk that depreciation charges might be materially understated.

Group Accounts

There is a risk that IFRS could extend the boundary for group accounts. This is particularly so in relation to the identification of associates, where it is now sufficient for an authority to have the power to exercise significant influence over another entity rather than actually to be exercising this power.

Accruals for Employee Benefits

The new Code has more rigorous requirements for the accrual of employee benefits earned during a year but untaken by the year-end (particularly leave entitlements and flexitime) and for the disclosure of termination benefits.

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London Borough of Bromley

Pension Fund: 2010/11 Audit Plan
March 2011

Audit Sub-Committee
London Borough of Bromley Pension Fund
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4 March 2011

Ladies and Gentlemen,

We are pleased to present to you our Plan for the audit of the London Borough of Bromley Pension Fund, which includes an analysis of key risks, our audit strategy, reporting and audit timetable and other matters. Discussion of our plan with you ensures that we understand your concerns and that we agree on our mutual needs and expectations to provide you with the highest level of service quality. Our approach is responsive to the many changes affecting the London Borough of Bromley Pension Fund.

We would like to thank Members and officers of the Council for their help in putting together this Plan.

As well as presenting the Plan to you we propose to share its main elements with the Pensions Investment Sub Committee to ensure that all of those responsible for the governance of the Fund are aware of our work programme. If you would like to discuss any aspect of our Audit Plan please do not hesitate to contact either Janet Dawson or Stuart Brown.

Yours faithfully,

PricewaterhouseCoopers LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body and on the Audit Commission's [website](#).

The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas.

Our reports are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Introduction

The purpose of this plan

Our Audit Plan has been prepared to inform those responsible for the governance of the London Borough of Bromley Pension Fund (the Fund) about our responsibilities as the external auditors of London Borough of Bromley and how we plan to discharge them.

We issued our audit fee letter, setting out our indicative fees for 2010/11, on 25th March 2010 in accordance with Audit Commission requirements. This plan sets out in more detail our proposed audit approach for the year.

The London Borough of Bromley Council acts as the administering authority for the Fund, and as such is accountable for the stewardship of the funds. The responsibility for this stewardship is discharged on a day to day basis by the Members of the Pensions Investment Sub Committee Pension Panel. It is our responsibility to carry out an audit in accordance with the Audit Commission's Code of Audit Practice (the Code).

Based upon discussion with management and our understanding of the Council and the local government sector, we have noted in the next section recent developments and other relevant risks. Our plan has been drawn up to consider the impact of these developments and risks.

Code of Audit Practice and Statement of responsibilities of auditors and of audited bodies

We perform our audit in accordance with the Audit Commission's Code of Audit Practice (the Code) which was last updated in March 2010. This is supported by the Statement of Responsibilities of auditors and of audited bodies (the Statement) which was updated in March 2010. Both documents are available from the Chief Executive or the Audit Commission's [website](#).

Reporting responsibilities

To discharge our responsibility to report to those responsible for the governance of the Fund we propose to present any reports to the Pensions Investment Sub Committee.

Risk assessment

Planning of our audit

We have considered the Fund's operations and have assessed the extent to which we believe there are potential business and audit risks that need to be addressed by our audit. We have also considered our understanding of how your control procedures mitigate those risks. Based on the assessment we have scoped our core work in each of those areas.

It is your responsibility to identify and address your operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. In planning our audit work, we assess the significant operational and financial risks that are relevant to our responsibilities under the Code and the Audit Commission's Standing Guidance. This exercise is only performed to the extent required to prepare our Plan so that it properly tailors the nature and conduct of audit work to your circumstances. It is not designed to identify all risks affecting your operations nor all internal control weaknesses.

In this plan we detail those areas which we consider to be significant risks relevant to our audit responsibilities and our response to those risks. Significant risks are those risks requiring special audit attention in accordance with auditing standards.

In addition, we also identify other risks affecting the Fund and our response to those risks.

Our response includes details of where we are intending to rely upon internal controls, other auditors, and the work of internal audit, if applicable.

Risk assessment results

The following table summarise the results of our risk assessment and our planned response.

Risks	Audit approach
Significant Risks	
<p>Management Override of Controls</p> <p>In any organisation, management may be in a position to override the financial controls that you have in place. A control breach of this nature may result in a material misstatement. For all of our audits, we are required to consider this significant risk and adapt our audit procedures accordingly.</p>	<p>We will understand and evaluate internal control processes and procedures as part of our planning work. Where appropriate we will perform testing of relevant controls as part of the interim audit visit.</p> <p>We will review the appropriateness of journals processed during the year. We will also look carefully at any management estimations and consider if they are subject to bias.</p> <p>We will design and perform procedures in relation to the business rationale for significant transactions. Our audit procedures are also planned to include an unpredictable element that varies year on year.</p>
Elevanted risks	
<p>Valuation of more difficult to value / less liquid investments</p> <p>The current volatility of stock markets will impact on the valuation of investments at the end of the year and on the net assets of the fund. It is also possible that there may be significant movements in investment values between the end of year and the reporting date.</p>	<p>We will understand the controls and procedures around the monitoring of investments, including reviewing management's minutes to ascertain/confirm the monitoring process, and their consideration of the impact of recent market volatility and compliance with the Fund's Statement of Investment Principles.</p> <p>We will understand the environment in which management control and validate the asset values provided by investment managers including those not quoted, not actively traded or where no market exists.</p> <p>We will send investment confirmations to fund managers to obtain an independent valuation of the fund's assets. We will also review the investment valuations available up to the date of our audit opinion and evaluate the impact of any additional information these provide on fair values as at 31 March 2011.</p>
<p>Reliance on controls within asset managers</p> <p>The Council's Pension Fund Investment Managers operate within agreed parameters and their performance is reviewed by the Director of Resources. Recent events at other authorities have highlighted the importance of the Council satisfying itself that the controls in place at its fund managers are robust.</p>	<p>We will understand and evaluate how the Council satisfies itself that controls within the Fund's asset managers are operating effectively and that they comply with the parameters and instructions set by the Council.</p> <p>We will seek to obtain and review AAF01/06 or SAS 70 reports for each Fund Manager which provides an independent opinion on the controls</p>

Risks	Audit approach
<p>The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, SI 2009/3093</p> <p>These Regulations are primarily a good housekeeping measure. The existing equivalent regulations, the 1998 Regulations, made over 10 years ago, have been subject to numerous amendments since, and users have asked for them to be updated and (where appropriate) clarified. However the opportunity has also been taken to make three more substantive changes.</p> <p>Firstly, new regulation 3(4) will revoke a longstanding provision – regulation 3(4) - which allows an administering authority to use money from its pension fund for any purpose for which it has a statutory right to borrow. Accordingly, new regulation 3(4) now provides that from 1st April 2010 such use will no longer count as an investment for the purposes of these Regulations.</p> <p>Secondly, regulation 5 gives administering authorities a limited power to borrow on behalf of the pension fund for up to 90 days. The power cannot be used to invest, but only for cash flow management in specified circumstances which should in practice be exceptional, i.e. to ensure that benefits are paid on time and in transition management situations when the allocation of a pension fund's assets is being changed.</p> <p>Thirdly, regulation 6 introduces a new requirement for each pension fund to have, by 1 April 2011, a bank account which is separate from any which the administering authority has in its capacity as a local authority. This change is being adopted because it will enable pension fund monies to be clearly ring-fenced from other monies of the local authority, and thus reflects a longstanding Audit Commission view on best practice.</p>	<p>operating at fund managers. We will assess whether there is need for additional assurance as part of our approach to the accounts.</p> <p>The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, SI 2009/3093, were laid before Parliament on 1 December 2009 and come into force on 1 January 2010.</p> <p>We will discuss the impact of the changes in the regulations with management and review the actions taken by management to ensure compliance with new regulations within the relevant timescales.</p>
<p>New Look Local Government Pension Scheme (LGPS) and future developments</p> <p>As part of a general review of public sector pension schemes, the Local Government Pension Scheme (LGPS) for employees in England and Wales changed from 1 April 2008 and the Scottish Ministers have introduced changes to the way the LGPS works in Scotland from 1 April 2009.</p> <p>The LGPS was updated to reflect the work patterns and needs of a modern workforce, and to ensure that the New Look LGPS is affordable whilst still providing an excellent level of pension benefits.</p> <p>The media spotlight has been trained on pensions in general and specifically on the decline in the number of private sector schemes still offering defined benefits. Therefore there is continuing speculation over whether the local government pension scheme, in its current form, is sustainable.</p>	<p>We will continue to monitor developments in this area and will discuss these with officers.</p>
<p>Job losses/early retirements in the public sector</p>	<p>We will discuss arrangements to meet the additional workload with management</p>

Risks	Audit approach
<p>The current scale of redundancies and early retirement across the public sector represents a significant additional workload for the Fund.</p> <p>Whilst the process of making calculations for employees leaving employment is not new, there is an increased potential for errors given that Fund's resources are unchanged.</p>	<p>and review the effectiveness of controls operating over employees leaving employment.</p>

Our approach to the audit

Code of Audit Practice

Under the Audit Commission's Code the audit of the financial statements of the Fund. That involves

- Expressing our opinion on the financial statements of the Fund as they appear in the Statement of Accounts of the London Borough of Bromley; and
- Reviewing the accounts that appear in the Annual Report of the Fund, to give a view as to whether they are consistent with the Statement of Accounts

Accounts

Our audit of the Council's accounts, including the Pension Fund, is carried out in accordance with the Audit Commission's Code objective, which requires us to comply with International Standards on Auditing (ISAs) (UK & Ireland) issued by the Auditing Practices Board (APB). These standards have recently been fully updated and revised to improve their clarity and in some cases this is accompanied by additional audit requirements. We are required to comply with them for the audit of your 2010/11 accounts.

We plan and perform our audit to be able to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. We use professional judgement to assess what is material. This includes consideration of the amount and nature of transactions.

Our audit approach is based on a thorough understanding of your business and is risk-driven. It first identifies and then concentrates resources on areas of higher risk and issues of concern to you. This involves breaking down the accounts into components. We assess the risk characteristics of each component to determine the audit work required.

We plan our work to have a reasonable expectation of detecting fraud where the potential effects would be material to the financial statements of the Fund. Based on the level of management's control procedures, we consider whether there are any significant risks of fraud that may have a material impact on the financial statements and adapt our audit procedures accordingly. We also consider the risk of fraud due to management override of controls and design our audit procedures to respond to this risk.

Our audit approach is based on understanding and evaluating your internal control environment and where appropriate validating these controls, if we wish to place reliance on them. This work is supplemented with substantive audit procedures, which include detailed testing of transactions and balances and suitable analytical procedures.

In undertaking our work we will take due account of the Auditing Practices Board Practice Note 15. We also aim to rely on the work done by internal audit

wherever this is appropriate. We will ensure that a continuous dialogue is maintained with internal audit throughout the year. We receive copies of all relevant internal audit reports, allowing us to understand the impact of their findings on our planned audit approach.

We will consider any work performed by the Council's Internal Audit team on the Pension Fund to allow us to understand the impact of their findings on our planned approach.

Materiality

Determining materiality is a matter of professional judgement and includes consideration of both the amount and nature of transactions. We apply a method to calculating materiality, based on the level of contributions, benefits and fund assets. We will confirm the level of materiality used in our audit findings report. However, materiality is not simply a quantitative figure. Qualitative aspects also need to be considered in assessing whether something would be significant to a user of the financial statements. The final assessment as to what comprises a material error in the financial statements is a matter of judgement based on relevant auditing standards and guidance.

Our team and independence

Audit Team	Responsibilities
Engagement Partner Janet Dawson – third year on the engagement 0207 213 5244 Janet.r.dawson@uk.pwc.com	Engagement Leader responsible for independently delivering the audit in line with the Code of Audit Practice, including agreeing the Audit Plan, ISA (UK&I) 260 report and Annual Audit Letter, the quality of outputs and signing of opinions and conclusions. Also responsible for liaison with the Chief Executive and Members.
Engagement Senior Manger Stuart Brown – third year on the engagement 0207 804 7581 Stuart.brown@uk.pwc.com	Senior Manager on the assignment responsible for overall control of the audit engagement, ensuring delivery to timetable, delivery and management of work and overall review of audit outputs. Completion of the Audit Plan, ISA (UK&I) 260 report and Annual Audit Letter.
Audit Manager: Accounts Matthew Williams – second year on the engagement 0207 212 5290 Matthew.w.williams@uk.pwc.com	Manager on the assignment responsible for managing our accounts work, including the audit of the statement of accounts, and governance issues.
Audit Manager: Financial statements – Pension Fund Alicia Noble Tel: 0207 212 3608 alicia.j.noble@uk.pwc.com	Manager on the assignment responsible for managing our financial statements work, including the audit of the financial statement in respect of the Fund.

Our team members

It is our intention that staff work on the London Borough of Bromley Pension Fund audit each year, developing effective relationships and an in depth understanding of your business. We are committed to properly controlling succession within the core team, providing and preserving continuity of team members.

We will hold periodic client service meetings with you, separately or as part of other meetings, to gather feedback, ensure satisfaction with our service and identify areas for improvement and development year on year. These reviews form a valuable overview of our service and its contribution to the business. We use the results to brief new team members and enhance the team's awareness and understanding of your requirements.

Independence and objectivity

We have made enquiries of all PricewaterhouseCoopers' teams providing services to you and of those responsible in the UK Firm for compliance matters. There are no matters which we perceive may impact our independence and objectivity of the audit team.

Relationships and Investments

Senior officers should not seek or receive personal financial or tax advice from PwC. Members who receive such advice from us (perhaps in connection with employment by a client of the firm) or who also act as director for another audit or advisory client of the firm should notify us, so that we can put appropriate conflict management arrangements in place.

Independence conclusion

At the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the Council, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

Communicating with you

Communications Plan and timetable

We plan with those charged with governance the form and timing of communications with them. We have assumed that 'those charged with governance' are the members of of the Pensions Investment Sub Committee. Our team works on the engagement throughout the year to provide you with a timely and responsive service. Below are the dates when we expect to provide the Pensions Investment Sub Committee with the outputs of our audit. We will also take the pension fund

Stage of the audit	Output	Date
Audit planning	Pension Fund Audit Fee letter	March 2010
	Audit Plan for the Fund	February 2011
Audit findings	ISA (UK&I) 260 report to the Council which will incorporate specific comment on the Fund, including: <ul style="list-style-type: none">• Any expected modifications to the audit report• Uncorrected misstatements, i.e. those misstatements identified as part of the audit that management have chosen not to adjust• Material weaknesses in the accounting and internal control systems identified as part of the audit• Our views about significant qualitative aspects of your accounting practices including accounting policies, accounting estimates and financial statements disclosures.• Any significant difficulties encountered by us during the audit;• Any significant matters discussed, or subject to correspondence with, Management; and• Any other significant matters relevant to the financial reporting process..	September 2011
Audit reports	Opinion on the Financial Statements of the Fund	September 2011
	'Consistent with' opinion on the accounts in the annual report	September 2011
Other public reports	Annual Audit Letter to the Council which will incorporate specific comment on the Fund A brief summary report of our work, produced for Members and to be available to the public.	November 2011

Audit budget and fees

The Audit Commission has provided indicative audit fee levels for Pension Funds for the 2010/11 financial year, which depend upon their scale and complexity. In your case, the indicative fee scale for audit for the Fund is £35,000:

	2010/11	2009/10
Statement of Accounts and Annual Report	£35,000	£35,000
Total	£35,000	£35,000

We have based the fee level on the following assumptions:

- Officers meeting the timetable of deliverables, which we will agree in writing;
- We are able to place reliance, as planned, upon the work of internal audit;
- We are able to draw comfort from your management controls; and
- The separate Pension Fund Annual Report being available on a timely basis.

If these prove to be unfounded, we will seek a variation order to the agreed fee, to be discussed in advance with you.

Appendices

Appendix A: Other engagement information

The Audit Commission appoint us as auditors to the London Borough of Bromley Pension Fund and the terms of our appointment are governed by:

- The Code of Audit Practice; and
- The Standing Guidance for Auditors

There are five further matters which are not currently included within the guidance, but which our firm's practice requires that we raise with you.

Electronic communication

During the engagement we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

PwC partners and staff may also need to access PwC electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access the PwC network via your internet connection and that they may do this by connecting their PwC laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and PwC (in each case including our respective directors, members, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

Access to audit working papers

We may be required to give access to our audit working papers to the Audit Commission or the National Audit Office for quality assurance purposes.

Quality arrangements

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the partner responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact Paul Woolston, our Audit Commission Lead Partner at our office at 89 Sandyford Road, Newcastle Upon Tyne, NE1 8HW, or Richard Sexton, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6RH. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Events arising between signature of accounts and their publication

ISA (UK&I) 560 (revised) places a number of requirements on us in the event of material events arising between the signing of the accounts and their publication. You need to inform us of any such matters that arise so we can fulfil our responsibilities.

If you have any queries on the above, please let us know before approving the Audit Plan or, if arising subsequently, at any point during the year.

Freedom of Information Act

In the event that, pursuant to a request which the London Borough of Bromley has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. London Borough of Bromley agrees to pay due regard to any representations which PwC may make in connection with such disclosure and London Borough of Bromley shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, London Borough of Bromley discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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Report No.
DR 110018

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: **Audit Sub Committee**

Date: **16th March 2011**

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

Title: **INTERNAL AUDIT PROGRESS REPORT**

Contact Officer: Luis Remedios, Deputy Chief Internal Auditor
Tel: 020 8313 4588 E-mail: luis.remedios@bromley.gov.uk

Chief Officer: Paul Dale, Director of Resouces and Deputy Chief Executive

Ward: All

1. Reason for report

This report informs Members of recent audit activity across the Council and provides updates on matters arising from the last Audit Sub Committee. It covers:-

3.1 Outstanding Matters

- 3.11 Previous Priority One Recommendations
- 3.15 Debtors
- 3.18 Progress and new issues since the last meeting
- 3.24 Waivers
- 3.32 Value for Money (VfM)

3.46 Current Matters

- 3.47 New Priority One Recommendations
 - 3.49 Housing Benefit Update
 - 3.52 Partnership Working
 - 3.54 Risk Management
-

2. **RECOMMENDATION(S)**

- a. **Note the report and comment upon matters arising from the internal audit progress report.**
- b. **Note the continuing achievements of the counter fraud benefit partnership with Greenwich Council. (para 3.50)**

- c. Members to note the action proposed for publicising to claimants the successes in prosecuting benefit fraud cases.**
- d. Members to note the findings of our review of VfM arrangements.**

Corporate Policy

1. Policy Status: Existing policy.
 2. BBB Priority: Excellent Council.
-

Financial

1. Cost of proposal: N/A
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £587,520 excluding the benefit fraud partnership costs but subject to reduction.
 5. Source of funding: N/A
-

Staff

1. Number of staff (current and additional): 10 FTE
 2. If from existing staff resources, number of staff hours: 380 days per quarter
-

Legal

1. Legal Requirement: Statutory requirement. Accounts and Audit Regs 2006
 2. Call-in: Call-in is not applicable.
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 180 including Chief Officers, Head Teachers/Governors
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments: None

3. COMMENTARY

3.1 Outstanding matters

3.2 Notification of fraud prosecutions to benefit claimants

3.3 At the last meeting of this committee, members considered proposals for publicising our successful fraud prosecutions to all benefit claimants. Following discussions the Sub – Committee supported inclusion of logos highlighting benefit fraud sanctions and total prosecuted to date. Officers were tasked with coming up with a proposal that would meet the above member requirements.

3.4 Having considered the above, officers have agreed that it would be best if the message was attached with the annual benefit letters that go to all claimants in March 2011. It was felt that the best way forward was to include the anti fraud poster (see Appendix A) with the annual benefit letter. In addition there will be a reference to the number of claimants we have prosecuted for fraud. The cost for this exercise will be £1,060 to include art work, copies for every claimant and postage.

3.5 Reclaiming staff costs for successful prosecutions

3.6 At the last meeting of this committee officers were asked to look at reclaiming all reasonable costs for cases that had been successfully prosecuted. At present we currently seek to recover legal costs in all successful cases. In some cases costs are not awarded where the magistrate/judge deem that there is an inability to pay or the sentence imposed is sufficient for instance a custodial sentence. On discussion with Greenwich management, their experience of attempting to claim costs for their own cases, in fact hampered any costs being awarded as when added to the legal costs it appeared to be excessive. However, Greenwich management also felt that it would pursue staff costs for cases where overpayments were high and also subject to asset recovery procedures.

3.7 Housing Benefit Future Proposals

3.8 At the last meeting of this committee we had reported our concerns on central government proposals to set up a single integrated fraud investigation service under the control of the DWP with effect from April 2013. Consultation is still ongoing but it appears that this proposal will go ahead. We had presented information to this committee that contrasted long delays and inaction for cases requiring prosecution on the part of the DWP compared with those cases dealt directly by Greenwich. The members considered the evidence and minuted that action should be taken by the Chairman writing to the Department for Works and Pensions outlining member concerns regarding the government proposals. A letter has been drafted for the Chairman's approval.

3.9 Officer Expenses

3.10 We previously reported the breakdown of the amounts paid to officers in 2009/10 within each category e.g. mileage, essential car user allowances, car loans etc. Members requested that an analysis was carried out to ascertain why the level of subsistence had increased from £1,025 in 2008/9 to £2,883 in 2009/10. A detailed review has taken place and this increase has resulted from officers claiming subsistence via payroll rather than being reimbursed from petty cash.

3.11 Previous priority one recommendations

3.12 The latest list of outstanding priority one recommendations is shown in Appendix B. Since our last report to Audit Sub Committee there has been ongoing activity by management to implement these. Appendix B currently shows 9 priority ones. At the last cycle we had reported 14 of which 5 have been implemented – Emergency Accommodation and Rent Accounts (3 out of 4 have been implemented- see part 2 agenda Primary School A (1) where issues raised by the previous governing body have been resolved with the change in governors; Building Maintenance (1) – where Bromley has now received a parent company guarantee and a performance bond.

3.13 In respect of previous priority ones that are still outstanding, it should be noted that the reconciliation of parking income has improved since the previous audit but the latest review has led to a further recommendation on the need to reconcile car park kiosk income that had been outstanding since July 2010. Procedures for reconciliation of the various avenues of car parking also needed to be detailed.

3.14 Primary School C – the school had paid staff twice in June 2010 when both the current and previous payroll provider had paid the salary. £84,983 had been overpaid – on checking for amounts recovered there still remained £10,700 to be recovered as at the end of January 2011.

3.15 Debtors.

3.16 At the last meeting of this committee members had noted the amount of long term ACS debts totalled £916K out of a total of £1.57million. As a result they requested that this matter should be reported to ACS PDS Committee including a breakdown of the general category and recommendations on how to reduce the level of long term debt. Liberata have introduced a new system to analyse debts and this will be used shortly with a report to the next ACS PDS in April 2011.

3.17 Members also requested an update on the debt from the Primary School of £58,339 and we can advise that this has now been paid.

3.18 Progress and new issues since the last meeting

3.19 For the period April 2010 to January 2011 we issued 132 reports against this year's plan to either draft or final stage. These include full systems and probity audits, schools and follow up audits. This equates to approximately 76% of the audit plan which is as expected for the 10 month period. The performance indicator for completion of the audit plan is 90%. There are 30 audits where there is work in progress at the time of writing this report. In addition, 16 audits were completed to final stage in respect of the 2009/10 plan. The fraud partnership with LB Greenwich has also produced three reports following investigations that have been reported upon previously in Part 2.

3.20 91% of the audits have been completed within the agreed budgeted time allowed against a performance indicator requirement of 90%. The feedback from clients has been very positive with an average score of 4.3 out of 5 against the target of 3.

3.21 A target that has been partially met is the two month elapse time between commencement of field work and issue of draft report. The performance indicator requires that 95% of the audits should be completed within two months of commencement of fieldwork whereas we have achieved 87%. This is a slight decrease on the 90% reported in the last cycle of this committee. There are a number of reasons

for this including awaiting information from clients, extending the original scope where there are major findings e.g. emergency accommodation and rent accounts and auditors being asked to carry out ad hoc work including investigations, staff vacancy, sick leave and work currently being undertaken for LB Greenwich. Internal Audit management will closely monitor this indicator.

3.22 The planned schools audits have all been achieved to date. We have rolled out our assisted audits programme for the secondary schools. Assisted audits require schools and colleges to assist in the audit process under the management of Internal Audit thereby increasing the auditees' perception of the audit process as well as saving on audit time. Two secondary schools Kemnal Technology College and Darrick Wood School have been subject to a closure audit as they have converted to Academy Status. We have recently completed our closure audit for Darrick Wood School where we found no probity issues or excessive pre academy expenditure that could lead to deficit balance issues. The School has carried forward a surplus balance that is currently being managed by the Schools Finance Team. Pension fund deficits have arisen as an issue at both establishments and are subject to an ongoing debate. There are a number of secondary schools that are due to become academies in 2011/12 and will therefore be subject to closure audits. We have continued to attend the academy operations group and have offered all schools that are intending to go to academy status, our services to carry out internal audits for a reasonable fee. There has been some interest but nothing has been formalised. With the abolition of the FMSiS external assessment requirement we have reverted back to carry out normal auditing for the primary schools for 2010/11.

3.23 In addition we have continued to assist on an investigation at a primary school that appears in part 2 of the agenda.

3.24 **Waivers**

3.25 We are now submitting our third list of waivers across the Authority for the period September 2010 to February 2011. See appendices C and D. The list is collated from the Heads of Finance for each of the Service areas and any information kept by the Chief Officers. Members are asked to review this list and comment as necessary. The contract procedures require that these are reported on a bi-annual basis to Audit Sub Committee. We had previously reported on waivers in the September 2010 cycle of this committee.

3.26 Rule 3 of the contracts procedure state that where there is the need to Waive the requirements for Competitive Bids pursuant to rule 13.1 or any other provision of these Contract Procurement Rules because of an unforeseeable emergency involving immediate risk to persons or property or serious disruption to Council services or significant damage or potential damage to the image or reputation of the Council (including circumstances which require a Strategic Performance Centre Manager to invoke a Business Continuity Plan) a Chief Officer may exercise such Exemption or Waiver subject to the following:

3.27 Where the value of a relevant contract (or proposed contract) exceeds £50,000 the Agreement of the Director of Legal, Democratic and Customer Services shall be obtained.

3.28 Where the value of a relevant contract (or proposed contract) exceeds £100,000 the Agreement of the Director of Legal, Democratic and Customer Services, the Director of Resources and the Agreement of the relevant Portfolio Holder shall be obtained.

- 3.29** Where the value of a relevant contract (or proposed contract) exceeds £1 million the Agreement of the Director of Legal, Democratic and Customer Services, the Director of Resources and the Agreement of the relevant Portfolio Holder shall be obtained.
- 3.30** Negotiated contracts are covered by contracts procedure rule 13.1. A decision to negotiate with one or more candidates on any arrangements required within the Procurement process shall not be made except in compliance with the following and any Public Procurement Regulations (see also Rule 3). Note - For the purpose of this Rule the establishment of a Service Level Agreement is treated as being a negotiated arrangement.
- 3.31** We were informed that there were no waivers in the period for Environment Services.
- 3.32** **Value for Money (VfM)**
- 3.33** Members of this committee had previously agreed the methodology for Internal Audit to use in assessing the value for money arrangements for designated areas covered in the audit plan. The emphasis was that although Internal Audit should remain focussed on its core business it was well placed to carry out VfM using this methodology. The Sub-Committee also noted the role of the Organisational Improvement Team where lower scores of 1 or 2 were achieved. Members should note that as a result of our five assessments detailed below and comments received from senior managers, we are in the process of making some amendments that will be reported at the next cycle.
- 3.34** A simplified scoring matrix for reviewing VfM risks and controls had been drawn up and scored on a scale of 1 – 4. Members were keen to pilot this in a service that was due to be audited. We had therefore reviewed a couple of areas – Building Control Section in Renewal and Recreation and Homecare in Adult and Community Services. The overriding principle is the requirement that it is the section’s responsibility to ensure VfM studies are being actioned.
- 1- would equate to not met in any areas of VfM arrangements (although this no way indicates that a poor service is being provided or that customers are dissatisfied at the quality level of service – it just reflects that there are no VfM arrangements in place); where there is a score of 1, the audit will attempt to research availability of benchmarking data, highlight such shortcomings in the audit report to management and refer the matter to the Organisational Improvement Team of the Chief Executive who would pick it up in a review of the service.
 - 2 -would equate to VfM arrangements partially met where there are some aspects of VfM in place but these are not robust enough to reach an informed decision that the service is achieving VfM. (e.g. data submitted for benchmarking is not accurate enough or cannot be substantiated or customer satisfaction surveys have not taken place, although there may be a benchmarking exercise that was completed; or that the service is operating at high unit costs in comparison with other Boroughs costs although providing a satisfactory service). The matter would then be referred to the Organisational Improvement Team who would pick it up in a review of the service.
 - 3-would equate to VfM arrangements being substantially met (e.g. benchmarking is complete with figures substantiated; benchmarking shows that the section is generally performing well in comparison with other Authorities; however the mark down could for instance relate to customer surveys not being carried out to ascertain quality of service)
 - 4 would equate to VfM arrangements being fully met (e.g. the service is benchmarked; benchmarking figures are substantiated; benchmarking shows good performance;

areas of good practice in other Authorities have been adopted; good customer satisfaction returns; the service operates within budget).

3.35 We analysed audits left to complete for the rest of the financial year and identified audits where this approved methodology will be used. This includes areas such as parking income, waste, street services, town centre management, planning, carelink, residential care, youth service, fostering and adoption, SEN transport, early years etc. Some of these are still ongoing but listed below are our findings on VfM arrangements that have been completed.

3.36 Parking Income

3.37 We have recently completed an audit of this area including a review of VfM arrangements and concluded that this scored an overall 3 i.e. substantially met. This is based on the following:

- Benchmarking rated as a 3 given comparison with other Boroughs and that the section still perceives that improvements can be made to rationalise the charging structure and in some cases increase charges with the approval of members.
- Customer surveys a rating of 3 based on surveys within the authority car parks only. This has resulted in a number of improvements to the car parks in respect of lighting, colour coding of each floor level, resurfacing and repainting of stairwells, replacement of CCTV cameras and installation of vision intelligence CCTV.
- External assessments are rated as 3 based on Star Chamber Parking Review 2010 and previous internal audit reviews where opinions ranged from limited to currently substantial. There was also a member working group supported by a parallel officer group that undertook a comprehensive review and reported to Environment PDS in June 2009.
- Budget rated as 2 given that although service is within budget for expenditure there has been an under achievement on expected income that is recognised corporately.

3.38 Town Centre Management

3.39 We have recently completed a review of VfM arrangements and concluded that this scored an overall 3 i.e. substantially met. This is based on the following:

- Benchmarking rated as a 3 as figures for footfall and vacancy rates are measured and reported through 'Are We On Track (AWOT)' Vacancy rates are recorded against a database from a company and for footfall an organisation produces average footfall rates to compare against. Results of AWOT are taken into consideration and where weaknesses are identified, town centre managers are required to work with retailers and key stakeholders. The Section has also been subject to a recent restructuring exercise and certain expenditure under the control of Town Centre Management such as Christmas lighting has been subject to a recent tendering exercise to ensure best value. Officers also attend regional and sub regional groups such as London Councils officer groups and the South London Partnership Skills and Employment Group. The team also has regular contact with officers in other boroughs to compare their approach to Christmas lights, events and vehicle messaging systems. Officers in the team are members of the Association of Town Centre Management (ATCM) and take advantage of benchmarking information that is available on the website and also make reference to the ATCM's 'Guide to Good Practice'. It is also recognised that evaluating town centres can be

problematic due to the unique nature of location, the way they are managed and also political considerations

- Customer surveys has been rated 3 to reflect that certain surveys do take place on rides, entertainments, promotions, annual continental market in Bromley town centre only. Surveys on views and support needs of businesses in Bromley North Village have also been conducted in March 2010. Feedback using a standard template is usually sought after an event from participants/organisers that covers successes and lessons to be learnt. There is some scope for improvement such as borough wide surveys covering both businesses and public opinion.
- External assessment has been rated 3. This is an area that is not subject to external assessment. A detailed internal review resulting in a restructuring has taken place over a year ago. This area has also been subject to internal audit reviews over the past four years including one that has just been completed.
- Budget has been rated 3 on the assumption that additional private income of £38k will be received that will ensure that the service is within budget. The budget is monitored with managers receiving regular reports.

3.40 Waste

3.41 We have recently completed a review of VfM arrangements and concluded that this scored an overall 4 i.e. fully met. This is based on the following:

- Benchmarking has been rated as a 4 on the basis of information provided. The Head of Waste Management advised that benchmarking is undertaken as part of the annual submission of statistical figures to CIPFA and DEFRA. Benchmarking figures are validated by the Head of Finance ESD before submission. The results are reviewed to assess where performance by other councils appears to differ substantively from Bromley's. This process is documented primarily through a combination of financial modelling, reports to Members and a PDS Working Group. The service is performing well against the national indicators. Waste Services' performance is benchmarked using three National Indicators: NI 191 (household waste quantity); NI 192 (% of waste recycled or composted); and NI 193 (% waste landfill). Benchmarking focuses on NI 192 as the most reliable measure of comparative local authority performance. NI 191 relates more closely to household behaviour, and NI 193 is distorted by differences in access to local incinerator facilities. Bromley's NI 192 performance in 2008/09, the most recently audited year, was 36% and ranked fifth out of 33 London authorities. At that time all four of the higher performing boroughs collected food waste borough-wide and lessons were drawn from their experiences. Now that Bromley has rolled out Recycling and Composting for All, our performance has significantly improved to 46% in Quarter 3 of 2010/11 despite disruption to the service caused by snowfall. Bromley's improving standards were recognised by the Municipal Journal in 2010, the borough being the only London authority shortlisted for the Journal's waste services award.

Expenditure is benchmarked against CIPFA data which shows that Bromley's costs are significantly below average for similar boroughs. Three of the 2008/09 higher performing boroughs offer a free, universal collection of green garden waste. This is not considered value for money, as on top of the collection and disposal costs, there is an adverse impact on overall tonnages.

A benchmarking tool for the service, developed by Tribal consultancy for the London Environment Directors' Network, is also utilised.

- External Assessment have been rated as 4 as the service is mainly self reporting. The service was audited by the Environment Agency in 2008-09. The audit was satisfactory. Waste has also been subject to yearly internal audits.
- Customer surveys have been rated as 4. A postal survey was undertaken by the service in April 2010 to assess overall opinion of/commitment to the new food waste collection trial. The survey results highlighted that the residents were generally happy with the new scheme. Suggestions on further improvements to the service were also invited as part of the survey. A survey was also carried out in May 2008. It was delivered to 4,883 properties in the original trial area. 2,570 questionnaires were returned, representing a 53% return. Along with questions on the food waste element of the trial, the questionnaire also included questions on the paper recycling collection service, the green box recycling service, the home composting offer (ability to purchase subsidised containers), the paid for garden waste collection service, and the impact on the refuse collection service (which at the time was still weekly).
- Budget has been rated as 4 on the basis that costs are projected to be below budget due to a significant decrease in tonnage costs. There are monitoring meetings are held between Head of Waste Services and Head of Finance ESD.

3.42 CareLink

3.43 We have recently completed a review of VfM arrangements and concluded that this scored an overall 2 i.e. partially met. This is based on the following:

- Benchmarking is rated as a 2 as the service is currently developing VfM arrangements. The service has recently been asked to provide statistics to TeleCare Services Association. Bromley CareLink is a member of this association who are setting up a benchmarking club with approximately 40 member authorities.
- External assessments are rated as a 2. There has been no external assessment as this service is not subject to an external assessment regime. Internal audit have carried out 3 reviews in the last 5 years.
- Customer satisfaction is rated as a 3. A customer satisfaction survey is carried out annually. 200 clients are selected from a total population over 2,000 including ACS clients, private clients receiving both monitoring and full response service. The survey for the current year has just commenced. The previous year's survey showed that around 50% of users were not aware of the complaints procedure. The manager confirmed that the complaints brochure was part of the standard induction package.
- Budget is rated as a 3. Budgets are monitored regularly and there are currently no variances that need investigation. There are some issues around coding of expenditure incurred by the CareLink service. Some expenses are coded to Supporting Independence which attracts grant funding. This will be remedied in 2011/12 when there will be one code used for all income and expenditure relating to use of CareLink.

- As a result of the scoring we are referring this to the Organisational Improvement Team in Chief Executives who may be able to offer assistance.

3.44 Planning

3.45 We have recently completed an audit of this area including a review of VfM arrangements and concluded that this scored an overall 3 i.e. substantially met. This is based on the following:

- Benchmarking rated as a 3 based on the comparisons with other boroughs showed that the service was performing above average in keeping expenditure low and performance high however there was still room for improvement in Minor and other works.
- Customer surveys a rating of 3 based on surveys given out with every decision notice, and collated. It was noted that a prepaid envelope is supplied to encourage return of the surveys.
- External assessments are rated as 3 based on the annual internal audit reports most recently giving the service “substantial assurance” and the “Lean thinking” commissioned external assessment of planning.
- Budget as 3 given that the service is within budget the expenditure is low in comparison with many other boroughs and Planning (including renewal) is within budget.

3.46 Current Matters

3.47 New priority one recommendations

3.48 There were no new priority one recommendations in finalised reports since the last cycle.

3.49 Housing Benefit Update

3.50 Since the inception of the partnership in April 2002, through to January 2011, the Council has successfully prosecuted 266 claimants to date for benefit fraud; issued 240 court summonses; given 84 formal cautions; and administered 259 penalties. The full details and appendices on trends are shown in appendices E, F and G.

3.51 There are a few ongoing cases where the partnership is still in the process of recovering large fraudulent overpayments by confiscation of assets using the Proceeds of Crime legislation.

3.52 Partnership Working

3.53 We had reported previously our intention to work closely with the London Borough of Greenwich. With an expected 25% cut in the audit budget we have sought to minimise the effect on staffing resources by exploring partnership working with the London Borough of Greenwich. A draft agreement has been drawn up awaiting formal agreement. This agreement requires Internal Audit Bromley to carry out a number of audits on behalf of the Internal Audit and Anti Fraud Team of the London Borough of Greenwich that equates to 300 days in the year 2011/12 generating £100k. This income offsets part of our 25% savings of £300K required and effectively keeps 3 auditors in post. It is estimated that 1.5 full time equivalent staffing will be required to

complete this Greenwich work therefore meaning that 1.5 staff is funded from income generated that can be fully employed on Bromley work. Our plan for 2011/12 has been adjusted to take into account the partnership working. We have already been requested to carry out 3 audits in this financial year by LB Greenwich which will have some impact on our plan but will generate income. We have completed two of these assignments to draft report stage with a third nearing draft report stage. This work will generate about £14k in 2010/11.

3.54 Risk Management

3.55 Annual Governance Statement

Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, requires authorities to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and to prepare a statement on internal control 'in accordance with proper practices'.

3.56 The Department for Communities and Local Government is currently carrying out a consultation to revise and consolidate the 2003 Regulations, as amended, with a timetable of bringing the new 2011 Regulations into force on 31 March 2011. Current regulation 4(4) requires the statement of internal control to be included with an authority's published accounts. This has been amended to require the statement to accompany the published accounts, to make clear that the statement is not part of the accounts.

3.57 From 2007/08, the Annual Governance Statement (AGS) replaced the Statement on Internal Control and is now the formal statement that recognises, records and publishes an authority's governance arrangements.

3.58 The AGS explains how Bromley has complied with its own Code of Corporate Governance which reflects the following six core principles of good governance:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and Officers working together to achieve a common purpose with clearly defined function and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.
5. Developing the capacity and capability of Members and Officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

3.59 The Code of Corporate Governance was recently updated to incorporate the additional governance requirements resulting from CIPFA's *Statement on the Role of the Chief Financial Officer in Local Government (2010)*.

3.60 As risk management features strongly in the AGS process this year's review is again

being co-ordinated by the Risk Management Group. The purpose of the review is to provide assurance from a number of sources including Members, Chief Officers, internal and external audit, and other review agencies and inspectorates that corporate governance arrangements are adequate and operating effectively; or where gaps are revealed, action is planned that will ensure effective governance in future.

- 3.61** The assurance gathering process (see Appendix H) includes a full review of the risk register, the completion of a checklist and the signing of assurance statements by the Assistant Directors and Chief Officers. Further background information can now be found on the Annual Governance Statement page on the Risk Management and Insurance site on onebromley:

<http://onebromley/HDoI/ManKit/wikisite/Wiki%20Pages/Annual%20Governance%20Statement.aspx>

- 3.62** The AGS is signed off by the Chief Executive and the leader of the Council and is currently published in the Annual Report and Statement of Accounts. In view of the new Regulations we await guidance as to whether the AGS can continue to be published in this way.

3.63 Code of Corporate Governance

The revised Code of Corporate Governance was noted at the last meeting with some minor amendments. This has since been endorsed by the Standards Committee on 20 January 2011, subject to some minor changes, for adoption by the Council.

3.64 Risk Register

As the risk register is currently being updated, as part of the AGS review, we attach a schedule of the current net high risks for the record (Appendix I). Given the need for service reduction planning a number of the risks will require revision and updating with several new risks likely to emerge. The full risk register can be accessed via the Managers' Toolkit on onebromley. See following link to the Risk Management and Insurance site:

<http://onebromley/HDoI/ManKit/wikisite/Wiki%20Pages/Risk%20Management%20and%20Insurance.aspx>

4. POLICY IMPLICATIONS

None.

5. FINANCIAL IMPLICATIONS

Some of the findings identified in the audit reports mentioned above will have financial implications.

6. LEGAL IMPLICATIONS

None.

7. PERSONNEL IMPLICATIONS

None.

Non-Applicable Sections:	[List non-applicable sections here]
Background Documents: (Access via Contact Officer)	http://www.dwp.gov.uk/docs/tackling-fraud-and-error.pdf

APPENDIX A

Blow the Whistle...



on Housing Benefit Fraud in Bromley & Greenwich

Do you know of anyone claiming housing benefit fraudulently?

Have you heard anyone bragging that

“they’re getting away with it”?

Don’t let them get away with it

REPORT IT NOW!

Ring: 0800 169 6975

This is a free phone number operating 24 hours a day.

All calls received will be treated in strictest confidence.

Please give as much information as possible.

Remember, they are committing fraud and stealing money.

Help your Councils to protect **your** public funds.

As at 31st January 2011 the London Borough of Bromley
has secured 261 successful prosecutions

**Bromley and Greenwich Councils working
in partnership to stamp out fraud.**



THE LONDON BOROUGH
www.bromley.gov.uk



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Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
ACS/026/01/2009	Direct Payments Audit for 2009-10	Limited Assurance	1	Financial monitoring information in respect of clients receiving direct payments was not found to have been always submitted by clients. Monitoring information was not requested at regular intervals. Contents of the letters requesting information was found to be in need of review as well as the direct payments agreement.	In Progress	Head of Exchequer Services (assumed responsibility from Oct 2009)	The finance team have increased the resources allocated to direct payments to improve monitoring. Clients are requested to submit supporting documentation quarterly for monitoring and issues and returns are now logged on a control spreadsheet. Monitoring officers have set deadlines to follow up returns and after a reminder letter cases are referred to the appropriate Group Manager. This is currently being tested.	High
ENV/004/01/2009	Parking Income 2009-10	Limited Assurance	1	Prior to the commencement of audit testing, amounts collected for parking income recorded on the daily collection spreadsheet from LBB Cashiers had not been reconciled to cash collection reports from the Parkeon system and the amounts input onto Oracle since October 2009. This process has now been undertaken up to the current date, but any shortfalls identified from this period are still to be investigated. From a random sample of 25 cash collections examined, it was identified that one collection was not stated on the cash collection report from the Parkeon System due to a communication error between a machine and the Parkeon software. Reconciliations of parking income have not been extended to ensure that parking income banked on the Central Cashiers Collection Deposit Sheets tally to actual receipts of parking income received from the bank. Reconciliations of parking income received via credit card into LBB's account, have not been undertaken since credit card payments for parking fees have been received (from September 2009).	In progress	CCTV Enforcement & Contract Manager	An audit of parking income is currently in progress and management have confirmed that the reconciliation is completed for income collection for this period. Cash collections have highlighted a total of £19,161.76 additional income Apr 09 to May 10 which is unable to be reconciled which equates to 0.002% of income collected. The majority of additional income aligns itself to machines that have been unable to provide accurate income receipts. After consultation with Audit the reconciliation of every amount received against every amount posted (over 50,000 transactions) should be concentrated to a consistent random reconciliation of total amounts received, rather than every item received, which will be instigated from Jan 2011 with changes to the procedure manual. Cashiers will now provide from the AIMS system the total Parking income received for the week as stated in the cash collection sheets, which will be matched weekly A report by the contractors is supplied detailing any machine not communicating, which is now an additional document requiring review on reconciliation. A draft audit report has made a further reduced priority recommendation due to partial implementation of agreed recommendation. "Ensure the Car Park Kiosk Income is reconciled promptly. Ensure all reconciliations are signed and dated on a regular basis and office procedures detail the exact process that take place for the reconciliation of parking income received via credit card, mobile phones, season tickets and kiosks, including timings."	High
RD/005/01/2009	Review of debtors	Limited Assurance	1	The aged debt analysis report, non domiciliary care as at 31 January 2010 identified that the outstanding debt owed to the authority over a year old amounts to £1,275,337, the previous audit reported this to be £1,210,973 as at 31 January 2009. In addition, the domiciliary care breakdown report shows a balance of £1,231,971 owed at 8 February 2009, with £4,019,790 of charges made up to 31 January 2010, £3,642,283 payments received and balance of £1,609,477.94 remaining. Furthermore, appropriate debt recovery actions had not been evidenced in all instances sampled and procedures need to be updated.	In progress	Head of Exchequer Services assumed responsibility in October 2009 & Interim Head of Revenues & Bens.	Management accepted the recommendation. There is currently an audit of this area when this recommendation will be followed up. The largest debtor is William Verry Ltd for £108,890 that will be written off as the company are now in liquidation. There are 4 debts totalling £182,555 that relate to residential care where a charge has been placed on the property. Update as part of 10/11 debtors review - figures as at 31/10/10 for outstanding debts over a year old are as follows: Domiciliary Care £1,369,070 and Non Domiciliary Care £1,687,568.30. Non Domiciliary Care debts over a year old have increased by £412,231.30 since the previous internal audit review whereby an outstanding debt of £1,275,337 was reported as at 31/01/10. Debt recovery procedures have not yet been updated, awaiting go-live date of Oracle Advanced Collections, currently scheduled for early 2011. Bromley Exchequer Services Team has undertaken some work to analyse the top ten debts outstanding within each department.	High
ACS/068/01/2009	Emergency Accommodation & Rent Accounts	Nil Assurance	10/s	Part 2	In progress	Interim Head of Benefits/ Exchequer Manager	The follow up audit has been completed and identified that three of the four priority 1 recommendations have been partially implemented; completion of the ANITE project, improved arrears monitoring and recovery and application of the correct rent debit are still in progress. The recommendation relating to regular reconciliation between the Housing Rents system and ORACLE had been fully implemented.	High

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
CYP/P42/01/2010	FMSIS assessment of Primary School C 2010-11	n/a to FMSIS	1	After the external assessment visit internal audit were made aware that Strictly Educational, the schools payroll provider up until 31st May 2010, had paid staff for the June pay run. The new contractor had correctly paid staff for the month of June too. Salary costs totalling £84,983.68 for June 2010 had been charged in error to the school's accounts from the previous payroll provider. The school are taking steps to recover the overpayment to staff (Strictly Educational had collected £8,152.70) and they are also seeking to recover pension, tax and NI contributions from Strictly Educational. Report recommendation was The school should continue to recover monies from staff and Strictly Education for payments related to the June 2010 pay run.	In progress	Head Teacher and Office/Finance Manager	Management Action Plan Comments - Bromley Legal Team supported our school with instructing Strictly to return the monies paid by staff straight to us. All staff have either paid the full amount back to our school account or have made arrangements with us to repay the money within 6 months. All monies to be repaid by February 2011. Internal Audit will obtain an update in February 2011. Update as of 4/11/10, the school have confirmed that £18,399 remains unpaid however there are arrangements in place to collect this by 31/02/11. Update 3/02/11, £10,701.70 still outstanding.	Medium
RD/096/01/2010	IT Disaster Recovery	Limited Assurance	1	It was identified that a specific ICT Disaster Recovery Plan has not been created, though some DR provisions are included within the Business Continuity Plan. A draft DR plan was created, though never adopted due to costing issues and problems securing a DR contractor. Recommendations from Operation Coldplay were that Service area's BCPs should accommodate Disaster Recovery (DR) arrangements for IT and that there is a need to progress corporate DR decisions. Additionally it was found that although Officers responsible for escalating problems up to disaster recovery are listed, the procedures for this to happen are not.	In progress	Contracts and Consultancy Manager & IT Technology Manager	A documented Disaster recovery plan should be created which will include specific actions to be taken, staff responsibilities and contact details, hardware/software requirements and budget provisions. Additionally it should include details of how work is ordered/approved/monitored in a DR scenario. Initial document has been drafted for review. Further review will be undertaken when new ICT Contractor is appointed and taken over the service. A revised implementation date for this Recommendation is 01/06/2011, the review cannot take place until then.	Low
CYP/Inv/2010	Primary School B	N/A	1	Part 2	In Progress	HT	Part 2	High
CYP/Inv/2010	Childrens Centres	N/A	2	Part 2	In Progress	Asst Dir(Access & Inc.)	Part 2	High

The following priority one recommendations have been implemented:

Emergency accommodation & Rent accounts - 3 of the 4 priority ones have been implemented
 Primary School A -recommendations accepted;change in governing body has resolved matters raised by previous governors
 Building Maintenance-parent company guarantee and performance bond have been obtained from main contractor for new school build.

SERVICE AREA	AMOUNT	REASON	PERIOD FROM	PERIOD TO	COMMENTS
Strategy & Commissioning	£56k pa	Contract for one year	01/04/11	31/03/12	Approved January 2011
Strategy & Commissioning	£40-80k pa	Delivery of a Reablement Pilot Service for 3 to 6 months	01/01/11	01/03/11	Approved January 2011
Strategy & Performance	£85k pa	Supporting Independence in Bromley - Soft ware package	01/10/10	31/09/2011	Approved October 2010
Strategy & Performance	£29,765 pa	Bromley Churches Housing Action Latch Project Young People	01/12/10	30/11/13	
Children in Care	£61,600	Fleet tutors for 1-1 tuition for young people in foster care	01/12/10	30/11/11	Approved November 2010
Social Care	£73,928	Placement in community homes	06/09/10	31/03/11	Fee shown is to end of financial year
Social Care	£53,356	Fostering agency	13/09/10	31/03/11	Fee shown is to end of financial year
Education	£80,258	Commissioning and Children's Education Services	01/09/10	31/03/11	Financial commitment' figure represents full year.
Education	£63,736	Commissioning and Children's Education Services	01/09/10	31/03/11	Financial commitment' figure represents full year.
Education	£58,090	Commissioning and Children's Education Services	05/05/10	31/03/11	Financial commitment' figure represents full year.
Education	56k	Commissioning and Children's Education Services	14/10/10	31/03/11	Financial commitment' figure represents full year.
Education	£69,690	Commissioning and Children's Education Services	21/06/10	31/03/11	Financial commitment' figure represents full year.
Town Centres	65k	Xmas lights	01/07/10	31/01/11	
Accountancy	47k	To undertake IFRS accounting work	01/08/10	31/12/10	Approved August 2010
Accountancy	£20k	Additional funding for IFRS	01/02/11		

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Waivers > £100,000						
DIRECTORATE	SERVICE AREA	AMOUNT	REASON	PERIOD FROM	PERIOD TO	COMMENTS
ADULTS & COMMUNITY SERVICES	Bromley Womens Aid - Refuge Support Service	£106,111	Portfolio Holders meeting 21st September. Contract ends 30/9/10. Waiver under rule 13.	01/10/10	31/12/10	
ADULTS & COMMUNITY SERVICES	Bromley Mencap	£253,350	To allow 3 year contract for job match services	01/10/10	31/09/2013	Approved August 2010
CHILDREN & YOUNG PEOPLE	Social Care	£103,244	Community Homes with education	03/08/10	31/03/11	Fee shown is to end of financial year
CHILDREN & YOUNG PEOPLE	Social Care	£113,113	Residential Homes with Educaiton	27/08/10	31/03/11	Fee shown is to end of financial year
CHILDREN & YOUNG PEOPLE	Education	£157,000	Commissioning and Children's Education Services	09/06/10	31/03/11	Financial commitment' figure represents full year cost.
CHILDREN & YOUNG PEOPLE	Education	£109,500	Commissioning and Children's Education Services	26/06/10	31/03/10	Financial commitment' figure represents full year cost. SEN contribution only - split funded with CDS.
RENEWAL & RECREATION	Pavilion Leisure Centre	£105,855	Appointment of employers agent	01/06/10		Approved 12/10/10

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2002/2003	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL	
Number of Cases	200	28	21	73	24	26	36	112	15	11	31	41	618	
Confidential Hotline	18	5	4	6	1	1		4	1	4	10	7	61	
Interviews	8	8	14	17	7	7	9	9	14	6	9	6	114	
Claimant visits	19	12	26	36	33	17	20	20	10	16	6	15	230	
Prosecutions										1	1	1	3	£6,000
Court Summonses							1			2	2		5	£5,000
Admin Penalties							1		1				2	£2,000
Formal Cautions					1				1				2	£2,000
														£15,000

2003/2004	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL	
Number of Cases	39	36	39	31	82	111	182	50	73	45	37	111	836	
Confidential Hotline	8	4	8	10	5	4	9	5	3	8	10	10	84	
Interviews	12	9	8	21	10	11	8	17	15	20	18	44	193	
Claimant visits	7	14	11	27	33	26	38	26	44	18	29	29	302	
Prosecutions		1		1	1	2	3			1	1		10	£20,000
Court Summonses	2	4	1	4	3	2			1	1			18	£21,600
Admin Penalties	3		1		1			1	1	2			9	£10,800
Formal Cautions	4	1	1			1	2	1		2	1	1	14	£16,800
														£69,200

2004/2005	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL	
Number of Cases	27	70	61	69	35	49	57	55	14	32	44	67	580	
Confidential Hotline	10	7	8	12	12	7	11	9	3	4	10	11	104	
Interviews	8	8	11	13	21	35	24	27	17	25	16	26	231	
Claimant visits	20	18	19	12	12	23	17	21	8	18	1	7	176	
Prosecutions	3			3	3	1	1		1	1	1		14	£28,000
Court Summonses	2	4			6	2	1			9	2	4	30	£36,000
Admin Penalties	2		2	1		3				1			9	£10,800
Formal Cautions		4	2		1	2	1	3	1		2	1	17	£20,400
														£95,200

2005/2006	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL	
Number of Cases	94	55	56	65	28	64	55	46	9	85	46	48	651	
Confidential Hotline	6	5	19	6	6	10	10	10	7	8	6	15	108	
Interviews	21	27	33	30	17	48	45	39	19	24	39	70	412	
Claimant visits	8	7	10	4	10	12	13	21	7	5	14	7	118	
Prosecutions	3	2	5	2	1	1	1	3	3	6	2		29	£58,000
Court Summonses	6	3	4	1	3	4	7	5	2	5	6	4	50	£60,000
Admin Penalties	1	2					2		3	1	1	1	11	£13,200
Formal Cautions	2	2	1	2		2	1			1	1		12	£14,400
														£145,600

2006/2007	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL	
Number of Cases	42	68	70	55	45	38	55	56	41	85	97	77	729	
Confidential Hotline	15	16	13	7	4	1	3	7		5	5	9	85	
Interviews	32	42	42	51	45	49	38	32	36	42	56	56	521	
Claimant Visits		25	11	10	10	2	2	11		12	1	2	86	
Prosecutions	2	1	3		9	2	4	4	6	4	3	2	40	£14,000
Court Summonses	3		4	4	1	4	6	1	5	4	5		37	£0
Admin Penalties	5	3	1	2	3	1	2	4	2	3	15		41	£2,400
Formal Cautions		1	2							1	2		6	£0
														£16,400

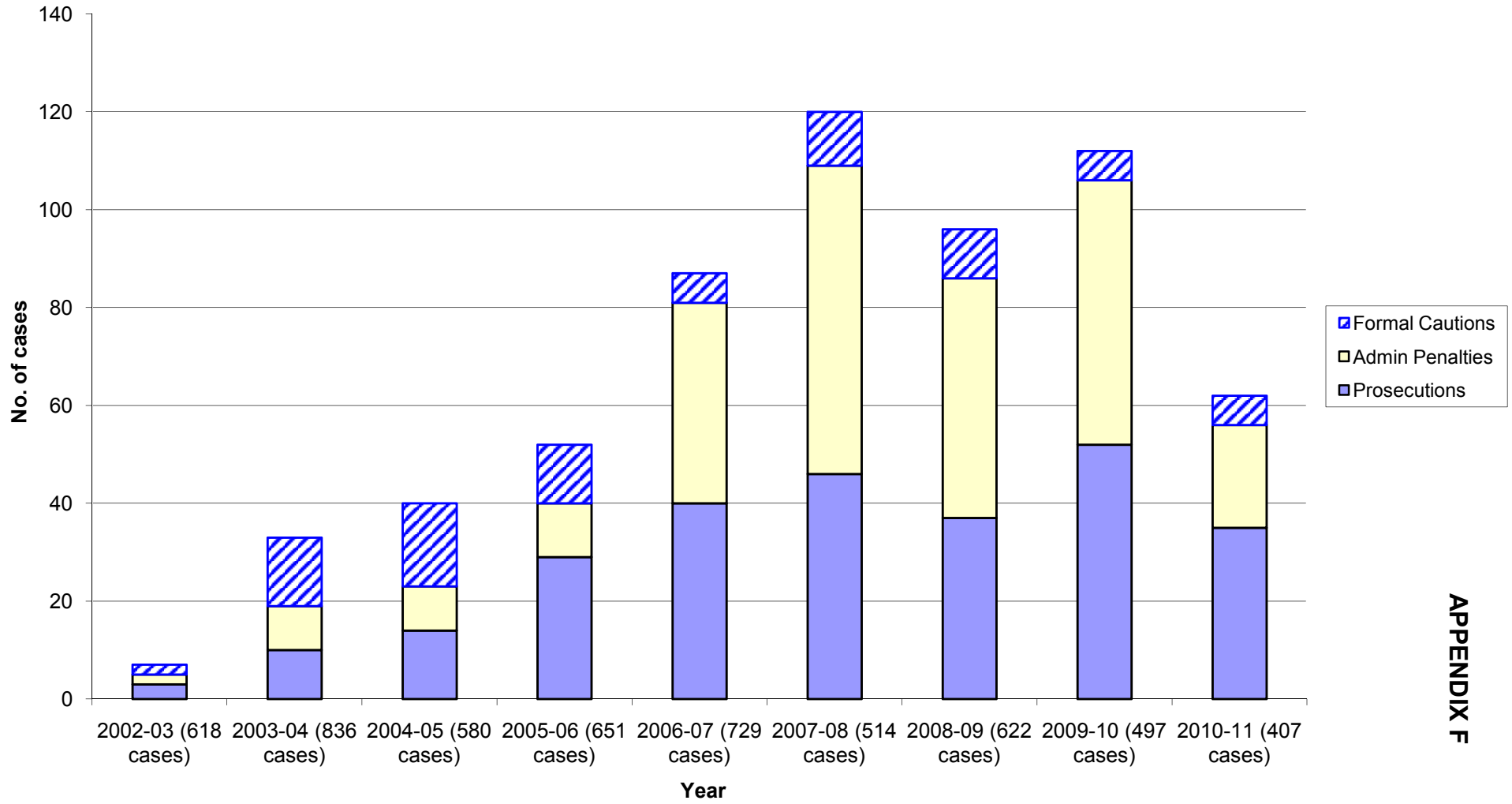
2007/2008	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	44	60	68	33	44	49	44	40	21	33	39	39	514
Confidential Hotline	7	12	4	10	3	10	8	10	9	21	13	10	117
Interviews	41	38	38	40	33	32	53	46	31	48	29	23	452
Claimant Visits	16	7	6	26	2	4	11	17	12	7	14	16	138
Prosecutions	8	3	7	4	2	7	2	4	3	5	1	0	46
Court Summonses	3	3	2	8		2		3	1	2	3	1	28
Admin Penalties	14	16	1	8	4	1	4	5	8	1	1		63
Formal Cautions	3	2		1				1	1	3			11

2008/2009	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	27	55	41	69	52	57	67	78	39	36	25	76	622
Confidential Hotline	11	8	9	3	13	19	10	13	7	12	10	9	124
Interviews	36	29	51	42	22	28	38	40	34	43	42	53	458
Claimant Visits	16	11	20	17	16	8	19	19	2	25	15	10	178
Prosecutions	6	2	3	8	6	3	2		3	1	3		37
Court Summonses	1		1	6		1	1	3	3	3	1	5	25
Admin Penalties	10	1	2	3	2	4	2	6	5	10	4		49
Formal Cautions	3	1		1		1	1		1	1	1		10

2009/2010	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	38	51	61	51	43	57	28	46	16	44	24	38	497
Confidential Hotline	11	18	12	3	13	18	5	11	5	11	4	10	121
Interviews	22	22	30	35	31	28	28	27	14	22	20	18	297
Claimant Visits	5	1	19	22	7	11	12		1	4	11	19	112
Prosecutions	8	2	9	1	5	8	5	1	5	2	6		52
Court Summonses	6	1	2	1		4	3	5			8	1	31
Admin Penalties	7	3	8	8	6	4	2	6	8	1	1		54
Formal Cautions	1			1			2		1	1			6

2010/2011	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	21	44	44	39	47	51	41	39	25	56			407
Confidential Hotline	5	10	9	9	13	15	15	10	7	7			100
Interviews	12	11	5	14	8	27	16	19	9	31			152
Claimant Visits	1	5	4		4	9	4	7		4			38
Prosecutions	6	3	3	3	6	4	3	1	5	1			35
Court Summonses	1	3	3	3	2	2	1	2		2			16
Admin Penalties	8	1	2	3		3	1			3			21
Formal Cautions	2			1	1	1			1				6

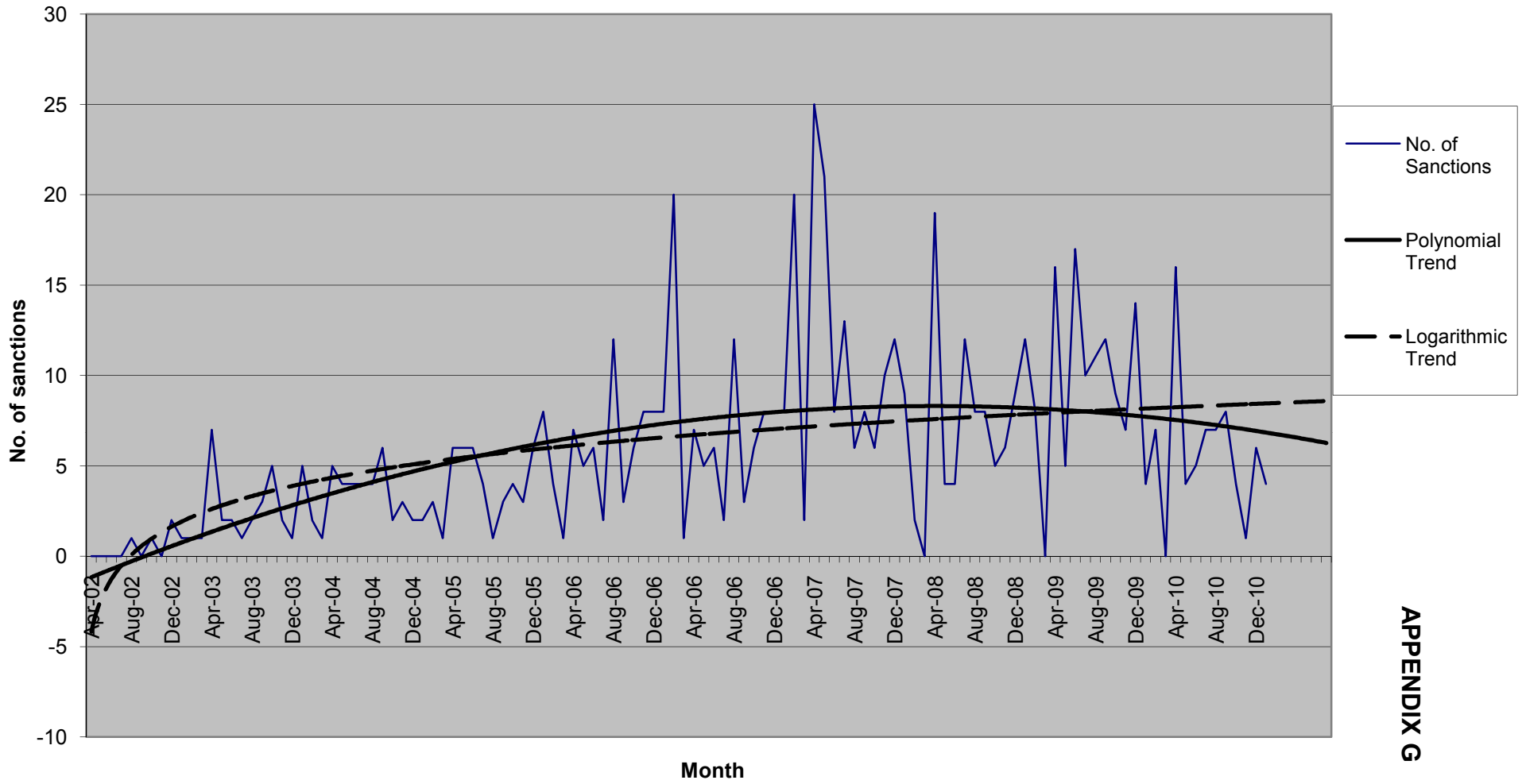
HB Sanctions - Annual Comparison



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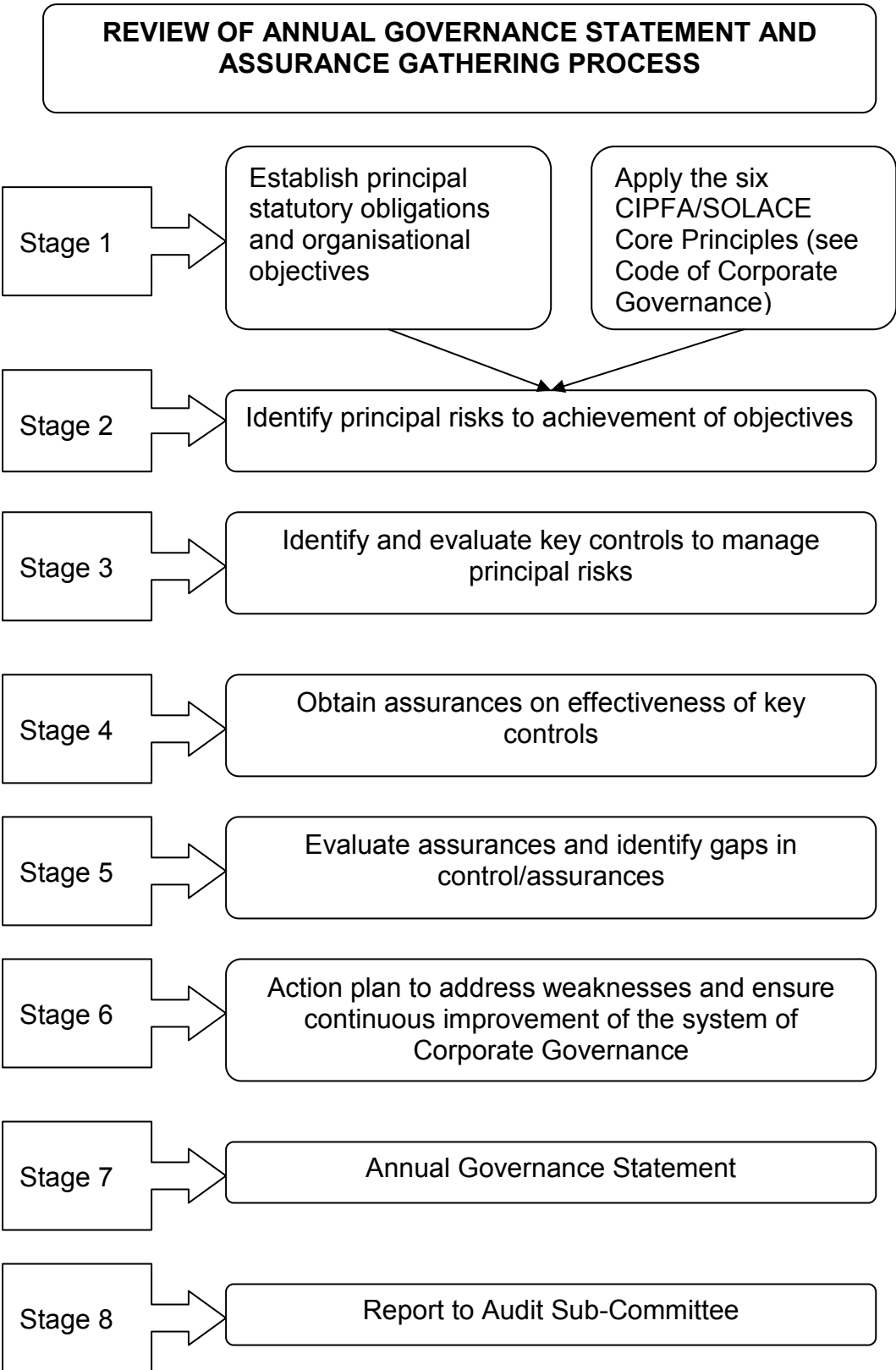
Sanctions Trend

(NB: peaks and troughs are dependent on the court's allocation of cases to be heard.)



APPENDIX G

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BROMLEY RISK REGISTER - HIGH RISKS - DEC 2010

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
CX/COM.0007	Chief Executive's	Communications	Communications	Failure to handle crisis communications in a major incident correctly Political - Strategic	Director CX	Controls: 1. Emergency plan 2. Close liaison with Emergency Services 3. Liaison with team, periodic refresher training 4. Well trained senior spokespeople 5. Learning from London Resilience Team, Home Office Guidance etc. ----- Actions: - Regular refresher sessions on communications issues with wider team - Assessment of communications training needs of senior plan officers / spokespeople - Review of resources available to staff communications activities (media, public helplines etc.)
CX/HRE.0355	Chief Executive's	Human Resources	All HR Sections	Failure to meet the requirements of the new Single Equalities Act 2010 Legal - Strategic	Charles Obazuaye	Controls: 1. Update Bromley Council Equality Scheme 2. Ensure accurate reporting and recording of equalities information 3. Update the corporate equalities training for managers and staff ----- Actions:
CX/IEE.0353	Chief Executive's	Organisational Improvement	Improvement, Effectiveness and Efficiency	Failure to deliver on efficiency projects with the Organisational Improvement Programme will result in savings having to be made elsewhere, for example frontline services Political - Strategic	Chris Spellman	Controls: 1. Programme Board set up chaired by Chief Executive with cross-organisation representatives and monthly monitoring reports ----- Actions: - Closer Member engagement and involvement in OIP process
CYP/149.0272	Children and Young People/ Corporate	All CYP Divisions	All CYP Sections	The Risk of insecure grant funding - dependency on specific grants to provide services. Impact of Govt cuts - in June 2010 DoFE announced 2010/2011 in-year grant reductions totalling £1.4m within Bromley's CYP Services. Service provision and staffing directly affected, with redundancy a real threat. Possible redundancy has resulted in this being flagged as a 'Corporate' Risk. Financial - Operational	Director CYP/ Chief Exec	Controls: 1. Continue to monitor Coalition Govt announcements to react to financial/statutory changes. ----- Actions: - Report DCYP10114 identifies the savings to be made to meet £1.4m 2010/11 in-year DoFE grant reductions; - to achieve the savings will require changes in planned service activity, review of staff contracts and staff changes; - invoke established HR procedures for managing change to avoid the need for redundancy wherever possible; - investigate potential for sold services.

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
CYP/ALL.0245	Children and Young People	All CYP Divisions	All CYP Sections	<p>The financial resources available to the CYP Dept are insufficient to discharge its statutory responsibilities & key priorities resulting in an adverse impact on the CYP budget - and the provision/quality of front-line services:</p> <p>1. Demand for particular services that the Council has statutory responsibility to meet. 2. Mandate to explore efficiency savings of between 10-25% for 2011/12.</p> <p>Financial - Operational</p>	Director CYP	<p>Controls:</p> <p>1. Budget monitoring. 2. Existing financial risk management strategies. 3. Reporting of Departmental Financial Risk Analysis in 'Draft 2010/11 Budget' to Jan 2010 Executive (similar submissions from all other Depts). Report identifies Recruitment and Retention of Children's Social Care staff, YOT Funding, Implications of 'Southwark Judgement' on Social Care referrals and Cost of Children's Placements as the Key Budget pressures for CYP in 2010/11.</p> <p>-----</p> <p>Actions:</p> <p>- Medium Term Financial Strategy; - Monitor impact of savings carefully.</p>
NEW	Children and Young People/ Corporate	All CYP Divisions	All CYP Services	<p>Impact of Academies Act - potential uptake of Academy Status by schools results in following Risks:</p> <p>- financial: loss of budget to CYP Dept and Council as a whole; - strategic; implications for LA strategic responsibilities e.g. pupil place planning, school org'n, pupil adms, SEN position, excluded pupils, School Improvement, safeguarding, child protection, Looked After Children; - local Ed framework; unity, cohesion, collective accountability, future capacity of the LA.</p> <p>Financial threat to the LA as a whole has resulted in this being flagged as a 'Corporate' Risk.</p> <p>Financial - Operational</p>	Director CYP/ Chief Exec	<p>Controls:</p> <p>1. Monitor and review Govt announcements and plan accordingly.</p> <p>-----</p> <p>Actions:</p> <p>- Anticipate impact and plan accordingly: - only 'outstanding' schools can apply to convert. As at mid-July 2010 24 Bromley schools had expressed an interest, of which 14 were outstanding; - as at end July 2010 2 applications from Bromley schools are being processed by DoFE for Sept 2010 (Darrick Wood Sec and Kennal Tech College); - LBB Finance Officers are modelling the financial implications to enable assumptions to be made about 'Top Slicing' - this will include CYP functions, HR, Property, Finance and Legal Services; - Investigate potential for sold services.</p>

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
CYP/SSC.0178 (cont.)	Children and Young People	Safeguarding and Social Care	All Safeguarding and Social Care Sections	<p>Failure to recruit and retain suitably qualified staff in sufficient numbers (national problem which particularly affects London and the South East):</p> <ul style="list-style-type: none"> - budget instability arising from costly agency placements - undermine performance against KPIs - maintaining current levels of service whilst: <ul style="list-style-type: none"> (a) implementing the ECM agenda (b) dealing with an increase in caseloads following the 'Baby P' Haringey Child Protection Case in Autumn 2008 <p>Personnel - Operational</p> <p>RISK SPLIT OVER 2 ROWS AS CELL FOR EXISTING CONTROLS AND PROPOSED ACTIONS CANNOT BE EASILY READ ON SCREEN</p>	AD Safeguarding and Social Care	<p>Controls:</p> <ol style="list-style-type: none"> 1. Regular monthly review of staffing positions with HR 2. Adhere to HR recruitment retention strategies 3. Strict monitoring of supervision and appraisal 4. Close monitoring of performance data for individual teams for action by managers 5. Positive management through targeted recruitment strategies, with particular focus on the West District 6. Monitoring by the Heads of Service and SMT <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - Re-structuring of teams to reduce the frequency of change in Social Workers - Regular briefing and information sharing - Recruitment of Social Workers from USA - Update recruitment and retention strategies - Inter-agency management development - Resource allocated to Common Assessment Framework rollout - Management action to ensure that a high proportion of social work posts are filled by permanent staff. - Explore further the use of 'New Media' for staff recruitment, to ensure appropriate targeting of advertisements and the widest pool of applicants. <p>(cont.)</p>
CYP/SSC.0178 (cont.)	Children and Young People	Safeguarding and Social Care	All Safeguarding and Social Care Sections	<p>Failure to recruit and retain suitably qualified staff in sufficient numbers (national problem which particularly affects London and the South East): (cont.)</p> <p>RISK SPLIT OVER 2 ROWS AS CELL FOR EXISTING CONTROLS AND PROPOSED ACTIONS CANNOT BE EASILY READ ON SCREEN</p>	AD Safeguarding and Social Care	<p>(cont.)</p> <ul style="list-style-type: none"> - Report to 19/01/10 CYP PH and 02/02/10 Executive meetings titled 'Recruitment and Retention of Children's Social Work Staff'. The Report contains proposals for: <ul style="list-style-type: none"> (a) Improvements to the existing Recruitment and Retention package to make it more competitive; (b) Strengthening the capacity of the Children's Social Care Services to address the increase in volumes; (c) Strengthening the capacity of Legal Services to address statutory functions in relation to Child Care Proceedings.
ENV/SDS.0209	Environmental Services	Strategy Development & Services	All SDS Sections	<p>Failure to implement and keep up-dated effective council-wide Business Continuity Plans</p> <p>Reputational - Strategic</p>	Steven Lewis	<p>Controls:</p> <ol style="list-style-type: none"> 1. Key critical systems identified 2. Updating Business Continuity Plan and database (Civil Contingencies Act 2004) 3. Emergency Planning and Business Continuity training <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - Individual service continuity plans need updating - Contractors' BCPs checked
ENV/STS.0131	Environmental Services	Transport & Highways	All STS Sections	<p>Failure to adequately conduct Winter Maintenance resulting in road network blocked, car accidents, pedestrian falls</p> <p>Environmental - Operational</p>	Paul Symonds	<p>Controls:</p> <ol style="list-style-type: none"> 1. Winter Maintenance procedures (gritting / salting) <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - Ensure policies / procedures are followed

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
ENV/STS.0157	Environmental Services	Street Scene & Greenspace	All STS Sections	Operational Emergencies (e.g. extreme heat, storms, floods, snow) Physical - Operational	Dan Jones	Controls: 1. Emergency Plan ----- Actions: - Cross discipline trained Local Authority Liaison Officers - Invicta out of hours service - published number and escalation procedure
ENV/TRA.0145	Environmental Services	Transport & Highways	All TRA Sections	Transport Strategy: Lack of key skills to enable contribution to the development of Bromley Town Centre Area Action Plan, completion of the traffic model for Bromley Town Centre and input to major developments Reputational - Strategic	Paul Symonds	Controls: 1. Identified resources required to enable the contribution ----- Actions: - Need to agree provision of resources / finance
LDS/ALL.0075	Legal, Democratic and Customer Services	All LDS Divisions	All LDS Sections	Failure to deliver project stated aims within timescale or budget as a result of project management failings Personnel - Operational	All LDS managers	Controls: 1. Effective training in project management techniques ----- Actions: - Identify key management staff - Through PADS/PRP, identify need for and provide project management training
LDS/ALL.0077	Legal, Democratic and Customer Services	All LDS Divisions	All LDS Sections	Breach of statutory obligations through failure of compliance with relevant legislation (e.g. Freedom of Information, Health and Safety, Disability Discrimination) Legal - Operational	All LDS managers	Controls: 1. Register of all relevant statutory requirements 2. Regular review of compliance 3. Effective training of managers in requirements of relevant legislation ----- Actions: - Identify, document and review all relevant statutory requirements - Identify and train all staff responsible for meeting statutory requirements
LDS/ALL.0099	Legal, Democratic and Customer Services	All LDS Divisions	All LDS Sections	Failure to meet the current and changing needs of customers; risk of censure at local and CAA level Customer / Citizen - Strategic	Director LDS / Sheila Bennett	Controls: 1. Systematic consultation 2. Robust internal customer service standards 3. Continuous learning and feedback ----- Actions:
LDS/ELR.0127	Legal, Democratic and Customer Services	Democratic and Customer Services	Electoral Services	Failure to successfully manage the election process of a Parliamentary, Local or other election or referendum, resulting in an election petition Political - Strategic	Carol Ling	Controls: 1. Project Plan 2. Staff Training 3. Adequate insurance ----- Actions:

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
R&R/TCD.0281	Renewal and Recreation	Planning	Town Centre Development	Failure to secure development on key sites due to the downturn in the economy Economic - Strategic	Kevin Munnely	Controls: 1. Renewal team to proactively seek to broker developer interest ----- Actions: - In tandem with emerging Area Action Plan (AAP) to continue dialogue with interested parties, development agents and consultants
RD/FIN.0019	Resources	Financial Management	Financial Management	Systems for identifying and alerting managers on budgetary failures Financial - Operational	Peter Turner	Controls: 1. Monthly budget monitoring to DMTs, and COE after reporting to service managers. Annual timetable produced, standards agreed and implemented 2. Reports during June to March period with early warnings/key budget areas identified during remainder of year. 3. Escalation routes agreed re overspend areas including option of early reporting to Members 4. Review and continuation of Heads of Finance obtaining 'sign off' budget monitoring statements with managers establishing the robustness of the systems 5. Heads of Finance required to review systems and introduce improvements 6. Further review of key budget systems where high risk of volatility in projections e.g. SEN, SS placements, parking income and report impact of recession 7. Budget monitoring reports to include identification of impact on future years ----- Actions: - Formal structures and procedures in place for monitoring and corrective action to minimise risk (Process and structures to be reviewed monthly) - Implemented changes to monitoring arrangements to support any further structural / accountability changes
RD/FIN.0282	Resources	Financial Management	Financial Management	Failure to produce and deliver a balanced budget which meets priorities. Greater financial uncertainty to reflect impact of economic downturn, credit crunch, volatile inflation, future public spend constraints for local government and the impact of the property market. Economic - Strategic	Peter Turner	Controls: 1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports 2. Departmental risk analysis ----- Actions: - Regular reporting of financial forecast updates (5 times a year) to provide an update of financial impact and action required - Obtain monthly trend / current data to assist in any early action required - Obtain regular updates / market intelligence re: impact of recession and inflation (liaise with policy unit who are coordinating details of impact of recession on services)

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions
RD/TEC.0298	Resources	Audit and Technical	Technical	Banking failure Financial - Operational	Mark Gibson	Controls: 1. Annual investment strategy 2. Review of counterparty list 3. Monitoring via Butlers ----- Actions: - Reports to Executive - Reports to Portfolio Holder - Detailed review of approach - Intensified monitoring of position
RD/TEC.0299	Resources	Audit and Technical	Technical	The Pension Fund does not have sufficient resources to meet all liabilities as they fall due: 1. Investment markets fail to perform in line with expectations 2. Market yields move at a variance with assumptions 3. Investment managers fail to achieve their targets over the longer term 4. Longevity horizon continues to expand 5. Deterioration in pattern of early retirements 6. Changes to regulations e.g. more favourable benefits package 7. Administering authority unaware of structural changes in an employer's membership e.g. large fall in employee members, large number of retirements Financial - Operational	Director RD	Controls: 1. Financial: Monitoring of investments returns - analysis of valuation reports 2. Demographic: Longevity horizon monitored at triennial reviews - quarterly review of retirement levels 3. Regulatory: Monitor draft regulations and respond to consultations - actuarial advice on potential 4. Governance: Encourage other employers to keep Council informed of changes. Bromley Mytime employer's contribution rate to be reviewed annually towards end of contract ----- Actions:
RD/TEC.0300	Resources	Audit and Technical	Technical	Failure to manage and control Treasury Management activities: Liquidity, Interest rate, Exchange rate, Inflation, Credit and counterparty, Refinancing, Legal and regulatory risks Financial - Operational	Director RD	Controls: 1. Regular review meetings 2. Use of external advisors 3. Internal Audit review of activities 4. Reporting to Members ----- Actions: - Periodic reviews of approach in light of economic downturn
RD/TEC.0305	Resources	Audit and Technical	Technical	Capital income shortfall due to a reduction in capital receipts and delays in disposals as a result of the economic downturn Economic - Strategic	Director RD	Controls: 1. Close monitoring of spend and income 2. Reporting to Members 3. Tight control of spending commitments ----- Actions:

Report No.
DCYP11052

London Borough of Bromley
PART 1 - PUBLIC

Agenda
Item No.

Decision Maker: **Audit Sub-Committee**

Date: **16 March 2011**

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

**TITLE: THE GOVERNMENT'S ACADEMY PROGRAMME :
DEVELOPMENTS WITHIN BROMLEY**

Contact Officer: Gillian Pearson, Director of Children and Young People Services
Tel: 020 8313 4060 E-mail: gillian.pearson@bromley.gov.uk

Chief Officer: Gillian Pearson, Director of Children and Young People Services

Ward: Boroughwide

1. Reason for report

- 1.1 The Director of Children and Young People Services (CYP) has provided a series of report updates on the Government's reform agenda for education, schools and wider children's services at meetings on: 20 July 2010 (DCYP10113), 7 September 2010 (DCYP10124), 30 November 2010 (DCYP10158), 24 January 2011 (DCYP11019) and 22 February 2011 (DCYP11039). These reports have provided an overview of the policy direction and key areas for reform, including the Academies agenda.
- 1.2 This report provides an update on the Academy Programme, developments within Bromley and the potential strategic implications for Bromley Council.
- 1.3 At the request of the Chairman of the Audit Sub-Committee (ASC), this report will be presented to the ASD at their meeting on 16 March 2011.
-

2. **RECOMMENDATION(S)**

2.1 **The Audit Sub-Committee is asked to note:**

- (i) **the Government's Academy Programme, developments within Bromley and local strategic implications for policy and planning;**
- (ii) **the specific financial implications as outlined in Section 8 of the report.**

Corporate Policy

1. Policy Status: Existing policy: Children and Young People's Plan 2009-2011
 2. BBB Priority: Children and Young People
-

Financial

1. Cost of proposal: Estimated cost To be determined
 2. Ongoing costs: N/A To be determined
 3. Budget head/performance centre: Schools delegated budgets, central schools budget and Local Authority's budget
 4. Total current budget for this head: £183.0m 2009/10
£189.4m 2010/11
 5. Source of funding: Dedicated Schools Grant, Specific Grants, ABG, Council Tax, Revenue Support Grant
-

Staff

1. Number of staff (current and additional) -
 2. If from existing staff resources, number of staff hours -
-

Legal

1. Legal Requirement: Statutory requirement:
 2. Call in: Call-in is applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected) -
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments:

3. COMMENTARY

- 3.1 This report provides an update on the Academy Programme and the position for Bromley regarding schools seeking conversion to Academy status, either individually or collectively, as part of an academy federation or cluster arrangement.
- 3.2 The Government's Academy Programme is underpinned by the Academy Act (2010) with the initial focus being on those schools judged by Ofsted as "outstanding". In addition, the Act makes provision for the Secretary of State for Education to direct any school which is underperforming and "in intervention" to become an academy, without the need for consultation with the Local Authority.
- 3.3 The Academy Programme was extended and accelerated by the Secretary of State in November 2010 to include:
- "good schools with outstanding features"
 - all schools who link to an "outstanding school"
 - special schools (from September 2011)
 - pupil referral services (underpinned by a change of legislation through the Schools' Bill/Act).

4. ACADEMY DEVELOPMENTS IN BROMLEY: CURRENT POSITION

- 4.1 At the start of the 2010/11 Academic Year, there were 95 maintained schools in Bromley which included: 17 secondary, 74 primary phase and 4 special schools. This broad spectrum of schools included Foundation, Trust, Community, Voluntary Aided and Voluntary Controlled. In addition, Bromley maintains a Pupil Referral Service. Educational standards in Bromley and the outcomes achieved by children and young people across our schools, places the borough in the top quartile of overall performance nationally.
- 4.2 During the Autumn 2010 and early part of the Spring Term 2011, a number of governing bodies have taken the decision to make a formal application to the Department for Education (DfE) to pursue Academy conversion, either as an individual entity or as part of an existing Academy Trust Federation.
- 4.3 **Appendix 1** summarises the position for Bromley as at 3 March 2011; this information is based upon formal notification that the Director of Children and Young People Services has received from the Chairman of Governors, or from the Head Teachers on behalf of the Governors, or direct from the Department for Education (DfE).
- 4.4 In summary, the position is as follows:

Academy conversions undertaken or scheduled for 2011

- 5 secondary schools have now "opened" as Academies
 - 11 secondary schools are targeted to convert by 1 April or 1 September 2011
 - 7 primary schools have registered their intention to convert, subject to parental consultation.
-
- 23 Total

- 4.5 There are three potential academy clusters which are currently at the stage of initial exploratory discussions, each involving one or more of the Bromley secondary schools which will have secured academy status by September 2011, together with a potential total of 22 primary schools, subject to formal decisions by individual governing bodies, consultation and approval by the Secretary of State for Education.

5. FUTURE DEVELOPMENTS

- 5.1 It is anticipated that a number of individual schools and groups of schools will be engaged in exploratory discussions, as they consider the possibilities and implications of conversion to academy status. A number of Head Teachers have been meeting with the Director of Children and Young People Services to discuss outline plans to initiate multi-academy clusters, formed across primary phase schools or involving secondary schools. These are at an early stage of development and the Director and senior officers will support these exploratory discussions wherever possible.
- 5.2 For schools at the early stage of considering academy conversion, on registering their decision to pursue academy status with the DfE, they will be provided with a named DfE contact officer who will offer detailed advice on the academy conversion processes.
- 5.3 There are a number of operational and practical issues that need to be considered, both by the school and the Local Authority. As part of the DfE procedures, the Director of Children and Young People Services will be asked to provide a position statement on each school. This statement needs to include information on: standards and performance; attendance, persistent absence and exclusions; financial management and any exceptional circumstances specific to the school.
- 5.4 Should an application for academy conversion be successful, following a resolution by the Governing Body in favour of academy conversion, the Secretary of State will issue an Academy Conversion Order. The Local Authority and School Governors will be required to work together, with their legal advisers, to complete the Commercial Transfer Agreement (CTA). This Agreement will need to cover some complex issues including: pension liabilities; other liabilities including outstanding loans; any budget deficit; any shared facilities including dual-use facilities and SEN Unit provision, and any outstanding capital works. In due course, the CTA has to be the subject of approval by the Council's Executive Committee. The Council's Legal Section is currently working on the CTA's for the ten schools seeking conversion in March or April; the very short timescale dictated by the DfE is proving challenging particularly given the contractual arrangements and liabilities relating to those schools with dual-use and SEN unit facilities
- 5.5 It should be noted that the Commercial Transfer Arrangements have yet to be completed in respect of all five secondary schools that have been formally approved by the Secretary of State to take on their new Academy status.

6. EDUCATION IN BROMLEY: A CHANGING LANDSCAPE

- 6.1 The landscape of education in Bromley will undoubtedly change radically over the next 12 months. The decision regarding whether to pursue academy conversion lies with the individual governing body of each school, together with the Secretary of State for Education; in the case of Church of England and Roman Catholic schools, conversion is also subject to consideration by the Diocese of Rochester and Archdiocese of Southwark (respectively).

- 6.2 The LA will continue to have a strategic and statutory role for certain key aspects of education, including improving outcomes for children and young people, pupil place planning, co-ordinated admissions, special education for statemented pupils and the education of children out of school, together with advocacy for Bromley residents.
- 6.3 Given the pace of academy conversions in Bromley and the associated reduction in funding levels from both the Schools' Budget (funded from the Dedicated Schools' Grant) and the Non-Schools' Budget (funded from the Revenue Support Grant) for central support services, there will undoubtedly be challenges to sustaining a sufficient 'critical mass' of service support for those schools remaining with the LA.
- 6.4 The implementation of the Academy Programme in Bromley will ultimately be the product of individual decisions by the schools' governing bodies, and the Secretary of State for Education. Clearly, the Local Authority has needed to both react to these developments, and where possible, advise and support on the transition processes.
- 6.5 If the momentum of conversions during 2011 continues at the pace experienced in recent months, the Local Authority will need to adopt an even more proactive role. The Director CYP and senior officers will need to support the exploratory discussions between schools, so that in any formation of Academy Cluster arrangements the LA can reduce the risk of smaller schools becoming isolated, and ensure that the rationale for clusters reflect the needs of children and local communities.

7. POLICY IMPLICATIONS

- 7.1 The Government's reform agenda for education, schools and wider children's services will be underpinned by major statutory changes. This will impact significantly on local policy, strategy and priorities for Bromley's Children and Young People Services agenda; the detail of which will be brought in progress update reports to Members.

8. FINANCIAL IMPLICATIONS

- 8.1 Academies will receive their revenue funding on the following basis:
- their school budget share, based on the LA Funding Formula;
 - a funding element from the LA Non-Schools' Budget – Revenue Support Grant (RSG)
 - a funding element from the Local Authority's Schools' Budget (DSG), i.e. a percentage of the funds used to deliver central services including Behaviour Support, Pupil Referral Service, Respite provision, school admissions and supply cover for maternity and jury service.
- 8.2 For the 2011/12 financial year the Government has applied a general top-slice from the RSG settlement for every Local Authority, based on an assumption of an average number of academy conversions during the year. Bromley Council's RSG has been 'top-sliced' by £800k in 2011/12 to reflect academy conversions, with an indicative figure of £640k for 2012/13. However, given the anticipated number of Bromley schools converting to academy status, it is not clear if the Government will review the funding arrangement within 2011/12, or, for the start of the 2012/13 financial year.
- 8.3 The methodology for recoupment from the Dedicated Schools Grant (DSG) will be through an in-year adjustment. This will have a direct and immediate impact on central CYP Services funded through DSG including: Behaviour Support, Pupil Referral Services, Respite, School Admissions. Clearly, with the escalation in the numbers of Bromley schools seeking conversion, and in-year funding adjustments, it will be necessary to 'downsize' a range of central services to reflect this funding loss.

- 8.4 The DfE have issued guidance on how to treat schools balances when they become academies. Where applications for conversion are approved under the new arrangements, the Academies Act requires the local authority (LA) to pay over the school's surplus to the academy. Where a school converting under the new legislation has a deficit, then the DfE will reimburse the LA for the deficit, and the YPLA will then recover it from the academy over a period of time by reduced payments of General Annual Grant. The guidelines also state that where an academy is set up under the previous procedures, i.e. with a trust/sponsor, then surpluses and deficits would continue to revert to the LA.
- 8.5 For 14 of the secondary schools that have converted or are in the process of converting, it is clear that they are converting under the new arrangements and as such any surplus would transfer to the school and any deficit would be repaid to the LA. However, 2 schools Cator Park School and Kelsey Park School have both indicated that they will convert as part of the Harris Trust. At present one of these schools has a large deficit and one has a surplus balance. The LA has sought advice from the DfE regarding this, and has received an email which states that Cator Park is being treated as a voluntary converter and will therefore take its deficit or transfer to Academy status. If Kelsey Park is also treated as a voluntary converter, then its surplus will transfer to the new Academy.
- 8.6 As this advice does not seem to be in line with the guidelines, the Director and Portfolio Holder for Children and Young People Services have asked the DfE that this be put in writing, along with confirmation that the deficit will be repaid to the LA in full at the point of conversion. This information has not been received to date.
- 8.7 The remaining secondary school, The Priory, has a deficit and is considering the options for academy status.
- 8.8 Of the 7 primary schools securing conversion as individual academies, 6 had a surplus as of 31 March 2010 and one had a deficit. These schools will take their balances with them. Of the 10 primary schools converting as part of a trust (2 in the Charles Darwin multi-academy Trust and 8 in the Diocese of Rochester's outline proposal), 9 had a surplus as of 31 March 2010 and 1 had a deficit. Subject to confirmation from the Government (see above), if these schools are treated as voluntary converters, they will take their balances with them.
- 8.9 In November 2010 the Secretary of State announced the Government's decision to scrap the Financial Management Standards in Schools (FMSiS) with immediate effect. The DfE will work with interested parties, including local authorities and schools, to develop a new way of ensuring schools have the right arrangement in place to manage their budgets effectively.

9. LEGAL IMPLICATIONS

9.1 Transfer of Land

- 9.2.1 The land upon which schools stand is held by any one of three separate bodies; for community schools the landowner is the Local Authority, for faith schools it is the relevant diocese and for foundation schools it is the governing body. Under the new legislation in the case of foundation schools there is a discretion available to the governing body to transfer the land either under a long lease (125 years) or as long as there is no legal impediment to it, the freehold may be transferred to the new academic trust if the governor's so wish. In the case of any community school that wishes to become an academy, the process is for the grant of a long lease by the local authority at a peppercorn rent to the academic trust, But the Secretary of State will have the power to make a scheme to transfer the land to the academy trust freehold or leasehold if necessary.

- 9.2.2 In the case of land held by the diocese, such is normally privately owned land and it will be for the freeholder to decide how the land will be held by the academic trust. The diocese may choose to lease the land to the local authority who in turn lease it to the academic trust.
- 9.2.3 For community schools who elect to become academic trusts, the land will be transferred on a long lease to the academic trust by the local authority, it should be noted that the Secretary of State will have the power to make a scheme to transfer the land to the academy trust freehold or leasehold if necessary.
- 9.2.4 In view of timescale it may well be impossible for potential academic trusts to complete negotiations on a lease before the proposed opening date for the Academy. Problems precluding transfer could include issues associated with how the existing school was procured or if the land and buildings are in multiple ownership. This may well be an issue that is of concern to the authority and the question of dual-use facilities and associated use on sites is a matter on which no firm guidance has been published by the DfE. Current guidance suggests that, if all parties agree, a Licence to Occupy (also known as Tenancy at Will) can be used to enable the Academy to open on the preferred date. This is intended as a short term solution until the full lease can be agreed.
- 9.2.5 The Secretary of State does have a power to make a scheme whereby land may be mandatorily transferred to the new academy (Schedule 1 of the Act) and such schemes may be made in respect of land owned by a local authority, where the land has at any time within the last eight years been used wholly or mainly for the purpose of a maintained school but is either no longer being used for this purposes or is about to cease to being used for those purposes there is no requirement to consult the local authority in relation to a transfer of land in these circumstances e.g. a maintained school becomes an academy. Where land is transferred from a local authority to the new academy under a transfer scheme, the scheme has to specify whether the transfer is to be a transfer of the leasehold or freehold interest in the land, or whether the local authority is simply to grant a lease to the academy.
- 9.2.6 Where the land in question is owned by the governing body, foundation body or trustees of a foundation or voluntary school the Secretary of State has the option either to transfer the land to the new academy or transfer it to the local authority (para 4(3) schedule 1); if such happens the local) authority may be required to pay an “appropriate” sum for the land. The converse is true in that the Secretary of State has the power under a scheme Para 5(3) to require a governing body or trustees to pay either the Secretary of State or local authority the whole or part of the value of the land transferred, and the Secretary of State on an academy ceasing to exist or use land that was subject to a transfer the Secretary of State may make a scheme to transfer such land back to the authority.

10. PERSONNEL IMPLICATIONS

- 10.1 The full HR implications of the Government’s Education Reform agenda will not be known until the detail behind the broad policies is published. Any changes will be managed within the framework of organisational change procedures that are in place across the Council.

Conversion to Academy Status

- 10.2 Conversion to Academy status gives rise to personnel implications and would constitute a TUPE transfer for staff currently employed at the establishments. The current Governing Bodies would need to engage in meaningful consultation with all staff and recognised Trade Union representatives regarding the transfer and any proposed changes.

- 10.3 Of the current conversions, Darrick Wood Secondary School, Kemnal Technology College, St Olave's Grammar School, Ravens Wood School, Coopers Technology College, The Ravensbourne School, Hayes School and Bishop Justus CE School are already employers of their staff. Therefore any TUPE liabilities rest with the existing Governing Body and the new Governing Body established as part of the conversion to Academy status.
- 10.4 If a community school or voluntary controlled school were to convert then the conversion would involve the transfer of staff from the employment of the Local Authority to the Governing Body. The Local Authority and the newly established Trust/Governing Body would be jointly liable for consultation, and for ensuring compliance with the provisions of TUPE in the conversion process.
- 10.5 The conversion to Academy status allows the Governing Body to negotiate new terms and conditions of service for staff but only within the normal legal framework which governs how changes to contracts of employment might be achieved.
- 10.6 At present the Local Authority has various statutory employment responsibilities in respect of staff in all LA maintained schools which are undertaken by HR on behalf of the Director of Children and Young People Services without charge to the school. A small number of these responsibilities will cease to be relevant and the remainder will in future pass to the Governing Body. Significantly, this will include employer responsibilities under the Teachers' Pension Scheme and the Local Government Pension Scheme which currently rest with the Council even in the case of Foundation, Foundation Trust and Voluntary Aided Schools.
- 10.7 The implications of Academy status as regards continued access to the Local Government Pension Fund for support staff are currently the subject of debate nationally. Academies under the new legislation are 'scheduled bodies' who must offer LGPS membership to non-teaching staff. Any pension fund deficit in respect of their staff will also be transferred, and their employer rate assessed on their staff profile.

Non-Applicable Sections:	N/A
Background Documents: (Access via Contact Officer)	<p>Previous Director CYP Reports: The Government's Reform Agenda: Education and Children's Services:</p> <p>20 July 2010 : DCYP10113</p> <p>7 September 2010 : DCYP10124</p> <p>30 November 2010 : DCYP10158</p> <p>24 July 2011 : DCYP11019</p> <p>22 February 2011 : DCYP11039</p> <p>Department for Education: Academy Website</p> <p>The Academies Act 2010</p>

Bromley's position as at 1 March 2011 regarding schools securing or in the process of seeking conversion to Academy Status is as follows:

Table A

Secondary Schools Seeking Conversion as Individual Academies		
SECONDARY SCHOOLS	POSITION	TIMESCALE
Kemnal Technology College	Conversion	September 2010
Darrick Wood Secondary School	Conversion	December 2010
Beaverwood School for Girls	Conversion	1 March 2011
Bishop Justus CE Secondary School	Conversion	1 March 2011
Coopers Technology College	Conversion	1 March 2011
Bullers Wood School	Notification to Local Authority (10 February 2011)	Target: April 2011
Charles Darwin School	Submission to Secretary of State Notification to Local Authority (January 2011)	Target: April 2011
Hayes School (Secondary)	Notification to Local Authority (December 2010)	Target: April 2011
Langley Park School for Boys	Academy Order Issued by Secretary of State (January 2011)	Target: April 2011
Langley Park School for Girls	Notification to DfE to register an interest – potential September 2011 conversion – subject to consultation.	TBC
Newstead Wood School for Girls	Notification to Local Authority (December 2010)	Target: April 2011
Ravens Wood School	Academy Order Issued by Secretary of State (December 2010)	Target: Sept 2011
St Olave's Grammar School	Notification to Local Authority (October 2010)	Target: April 2011
The Ravensbourne School	Academy Order Issued by Secretary of State (January 2011)	Target: April 2011
The Priory School	Considering Options	TBC

Table B

Secondary Schools Seeking Conversion as part of an Established Academy Trust Federation		
SECONDARY SCHOOLS	POSITION	TIMESCALE
Kelsey Park Sports College	Governors' decision to convert to Academy Status as part of the Harris Academy Trust Foundation	15 February 2011
Cator Park School	Governors' decision to convert to Academy Status as part of the Harris Academy Trust Foundation	15 February 2011

Table C

Primary Schools Seeking Conversion as Individual Academies		
PRIMARY SCHOOLS	POSITION	TIMESCALE
Balgowan Primary School	Notification to LA – 10 February 2011	TBC
Green Street Green Primary School	Notification to LA – 17 February 2011	TBC
Hayes Primary School	Notification to LA – 24 February 2011	TBC
Pickhurst Infant School	Notification to LA – 15 February 2011	TBC
Pickhurst Junior School	Notification to LA – 15 February 2011	TBC
Stewart Fleming Primary	Notification to LA – 2 March 2011	TBC
Warren Road Primary School	Notification to LA – 11 February 2011	TBC

Table D

PROPOSED ACADEMY CLUSTERS	POSITION	TIMESCALE
Charles Darwin Multi-Academy Trust	Proposed multi-academy Trust - Charles Darwin Secondary School + Biggin Hill Primary + Oaklands Primary	Target: Sept 2011
Diocese of Rochester's outline proposal <ul style="list-style-type: none"> • Secondary CE School: Bishop Justus • Primary Phase CE Schools (8) * <ul style="list-style-type: none"> - Chislehurst (St Nicholas) CE VA - Cudham CE VC - Keston CE VC - Parish CE VC - St George's, Bickley, CE VC - St John's CE VA - St Mark's CE VA - St Paul's Cray CE VC 	Proposed Faith Based Academy Trust Education Notification – to LA – 9 December 2010 Currently under discussion with individual governing bodies	TBC
'Family Langley' - Langley Park School for Boys, Langley Park School for Girls + invitation to 12 main feeder primary schools to join this Academy Federation	Notification to Local Authority – 9 February 2011. Primary schools not as yet named	TBC

Footnote

- * VA – Voluntary Aided
VC – Voluntary Controlled

Report No.
DR 11020

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: **Audit Sub Committee**

Date: **16th March 2011**

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

Title: **INTERNAL AUDIT PLAN 2011/12**

Contact Officer: Mark Gibson, Chief Internal Auditor
Tel: 020 8313 4295 E-mail: mark.gibson@bromley.gov.uk

Chief Officer: Paul Dale, Director of Resouces and Deputy Chief Executive

Ward: All

1. Reason for report

1.1 This report informs Members of internal audit plan for 2011-12.

2. RECOMMENDATION(S)

Members are asked to comment on the Internal Audit Plan for 2011-12.

Corporate Policy

1. Policy Status: Existing policy.
 2. BBB Priority: Excellent Council.
-

Financial

1. Cost of proposal: N/A
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £587,520 excluding the benefit fraud partnership costs but subject to reduction.
 5. Source of funding: N/A
-

Staff

1. Number of staff (current and additional): 10 FTE
 2. If from existing staff resources, number of staff hours: 380 days per quarter
-

Legal

1. Legal Requirement: Statutory requirement. Accounts and Audit Regs 2006
 2. Call-in: Call-in is not applicable.
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 180 including Chief Officers, Head Teachers/Governors
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments: None

3. COMMENTARY

3.1 The current CIPFA *Code of Practice for Internal Audit* defines Internal Audit as:

- *'An assurance function that provides an independent and objective opinion to the organisation on risk management, control and governance by evaluating their effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources'*

3.2 The purpose of the Internal Audit Plan is to:

- § Optimise the use of audit resources available, given that these are limited
- § Identify the key risks facing the Council to achieving its objectives and determine the corresponding level of audit resources
- § Ensure effective audit coverage and a mechanism to provide Members, governors, head teachers and senior managers with an overall opinion on the auditable areas and the overall control environment
- § Add value and support senior management in providing effective control and identifying opportunities for improvement
- § Supporting the Council's nominated Section 151 Officer
- § Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2006.
- § Reviewing Value for Money arrangements for designated audits in the plan.

3.3 The Audit Plan coverage is largely aimed at:

- § The Chief Executive and Directors
- § Other Managers throughout the Council
- § Members and in particular those of the Audit Sub Committee
- § Governors and Head teachers
- § External Audit and the Audit Commission

3.4 For the audit plan covering 2011/2012 the methodology has utilised both the corporate and departmental risk registers which have been developed within the departments. Also as in previous years the frequency and timing of internal audit work in Bromley is supported by the assessed audit risk for each system, school or service. These "risk assessments" (high, medium or low) are awarded to each area in the Internal Audit Plan but they will need to be revisited at the conclusion of each audit. An additional key element in the compilation of the plan has been consultation with managers across the Authority.

3.5 A number of different ways of working have been introduced such as control self assessment and school assisted audits, to streamline the audit process and reduce the audit input as a result of an overall reduction in staff numbers and new partnership working with the London Borough of Greenwich where we are expecting to carry out audits totalling 300 days from their audit plan.

3.6 We have also consulted a number of Boroughs who have shared with us their draft plans. This gives us an insight into best practice, common audits and any new potential areas that may need audit coverage. In common with many Boroughs there has been a downsizing of planned audit coverage days.

3.7 **Internal Audit and External Audit** - continue to work closely together at Bromley to ensure the Authority's total audit resource is effectively managed and targeted. Bromley's Internal Audit

has maintained a recognised standard of competence and has an agreed protocol with External Audit involving the sharing of audit plans and external audit placing reliance on the work of Internal Audit. This assists in keeping the External Audit fee below the Audit Commission benchmark resulting in significant savings to the overall fee bill by some 20%.

3.8 The plan includes the following audits that are designated fundamental systems where key financial controls need to be covered to allow an opinion on the overall control environment as part of the statutory Annual Governance Statement. These systems include debtors, creditors, payroll, NNDR, pensions, council tax, housing and council tax benefits, treasury management, rent accounts, parking, cash and banking, main accounting system, fixed assets. These are all included in the attached 2011/12 plan and referred to in the comments column.

3.9 In order to discharge its responsibility Internal Audit has to focus work on the key fundamental systems and areas of high risk to the Authority to inform the opinion on the control environment in place. These reviews will continue to inform the internal control statement that will be required at the end of the year. The internal control environment comprises the systems of governance, risk management and internal control.

3.10 A risk based approach has been adopted by both External Audit and Internal Audit, seeking to target audit work on key areas appropriate to our respective roles and to maximise integration of our work. The key areas within the Audit Commission Code of Practice where co-ordinated working will continue are ensuring the adequacy of internal financial controls and ensuring standards of financial/business conduct and arrangements to prevent and detect fraud and corruption are in place.

3.11 The plan is expected to cover key core deliverables:

- To deliver the statutory requirements of the Accounts and Audit Regulations 2006.
- To provide ongoing assurance to management on the integrity, effectiveness and operation of the Authority's internal control system.
- Delivery of the Annual Audit Plan in particular high risk audit reviews.
- To be responsive to transformational change and service demands.
- To continue to meet the requirements of Bromley's External Auditors
- To further develop our partnership working relationships.
- To further embed integration of internal audit work with governance and managing risk to produce a clearly coordinated risk-based approach to the audit of business/operational systems across the Authority.
- To ensure agreed management actions to audit recommendations made are fully implemented in particular the high priority ones.
- To continue to develop and have a lead in the Borough's corporate governance arrangements including review and production of the 'Annual Governance Statement' to provide assurance on the Authority's governance arrangements and any areas for improvement.
- To provide an effective reactive corporate counter fraud service in accordance with the Borough's anti fraud and corruption strategy.
- In conjunction with the London Borough of Greenwich continue to be proactive in counter fraud including delivery of comprehensive fraud awareness for staff in the prevention and detecting of fraud and irregularities.
- To continue to develop our role and work closely with the Audit Sub Committee.
- To contribute and support the Value for Money Programme assessment arrangements.

3.12 The plan has been formulated with the requirements of the Account and Audit Regulations 2006 in mind. In particular that the relevant body shall be responsible for ensuring that the

financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

- 3.13 Although the internal audit function plays a critical role in assessing the control environment the conclusion on the statement of control, forming part of the Annual Governance statement, should be considered based on evidence from a number of sources. These include the external auditor's reports; the annual internal audit report, which gives an opinion on the system of financial control; reports from other review agencies, such as Ofsted and direct assurances from management responsible for internal controls in particular areas. These direct assurances will be relied on more frequently as the core internal audit resource has reduced in recent years.
- 3.14 The total number of audit days allocated for corporate and operational departmental audits including fraud, Greenwich fraud partnership is 1,208 days. This is a reduction compared to last year (1,553 days) as like other services efficiencies and savings have been found through reduced staffing levels and an allowance of 300 days has been made for partnership working with LB Greenwich. Compared to last year we have cut down on non productive time such as training, section meetings and administrative duties.
- 3.15 The individual scope and terms of reference for each audit area is finalised at the time of audit. A summary of the coverage for next year is attached at Appendix 1. The final detail will be agreed with Chief Officers and Assistant Directors based on the coverage proposed. There has already been a consultation process and some of the officer comments are reflected within the attached plan.
- 3.16 An approximate contingency of 10% has been built into each directorate to allow for management requests for work, investigations and any unforeseen major issues arising from fundamental control weaknesses identified in audits that requires further testing. This contingency figure is more than last year and will be kept under review. The new arrangement with the Greenwich fraud team will allow more flexibility on the plan as they will take on a number of the investigations that arise.
- 3.17 The table below provides a summary of the main types of reviews to be undertaken.

Summary of Audit Methods and Techniques

Audit Method/Technique	Explanation
Planning	A risk based internal audit plan will be created on an annual basis which will incorporate key risk areas within the Council, in line with strategic and operational risk registers, and the Council's Risk Management Policy. Strategically we will aim to review all operational service areas within a cyclical period not exceeding 3 years, while all business critical systems and high risk areas will be reviewed annually.
Risk-based system audits	One of the main ways that Internal Audit will form a view on the overall control system is by carrying out reviews of the component systems and processes established within respective business entities. These are commonly known as risk-based system audits and will allow Internal Audit to assess the effectiveness of internal controls within each system in managing business risks. Thereby enabling a view to be formed on whether reliance can be placed on the relevant system. This approach will enable resources to be used in a more efficient way, while maximising the benefit which could be derived from it
Compliance/regularity/establishment audits	These audits are intended to assess if systems are operating properly in practice. They are typically site-based (establishment) and focus on the propriety, accuracy and completion of transactions made. The term 'site' includes departments, services or devolved units. The audits may focus on specific systems or cover transactions in all major systems. This will also provide information and evidence about the extent, in practice, of compliance with

Audit Method/Technique	Explanation
	organisational policies, procedures and relevant legislation.
External assessment of schools	Internal audit carry out the external assessment of schools to make sure they meet the standards
Key Control Testing	A variation on compliance audit but focusing on a small number of material or 'key' controls that provides assurance on the completeness and adequacy of the Council's accounts. This can provide the basis for external audit to place reliance on the work of Internal Audit. These audits are on the main accounting systems and processes including debtors, creditors, payroll and income.
Procurement Audit	This will be a strategic assessment of the risks associated with the Council's procurement activities and future plans. Concerned with review of and compliance with the Council's corporate procurement strategy and associated management structures and processes, including contract procedure rules. This audit may also consider Value for Money aspects.
Control Risk Self Assessment	Facilitating the review by services of their own risks and controls in a structured way, for example, via questionnaires or workshops. This can serve both the requirements for assurance or as consultancy.
Systems Development Audit	Phased review of developing plans and designs for new systems and processes aimed at identifying potential weaknesses in control during the development stage thus minimising the need for re-working.
ICT Audit	Specialist review of the control of hardware, software and the ICT environment to evaluate fitness for purpose and security of the ICT environment.
Evidence	All audit findings, conclusions and recommendations will be evidenced on file. Relevant details on which findings and recommendations are based will also be supported by evidence held on file within the Internal Audit Unit.
Use of Technology	Internal Audit will employ relevant technology where appropriate when testing systems and when producing working papers and reports. Additionally Internal Auditors will be alert to IT risk in relation to technology utilised within systems under review.

Regularity Audits including Schools

- 3.18 These audits are undertaken on a rolling cyclical programme, with the frequency of review determined by an assessment of risk, and are designed to ensure the proper administration of the Authority's affairs. They are, in general, schools and establishment audits where the propriety, accuracy and recording of all transactions, and the proper function of the main systems in operation, are tested by audit staff by means of detailed examination of individual transactions to ensure that each is, valid, properly authorised and legal.
- 3.19 The objective of the audit is primarily to discharge the Proper Officer's statutory S151 responsibility but also to provide an assurance to client management on the proper and effective administration of their area of responsibility. This is particularly relevant where the main elements of control are exercised at a local level. The audits will be carried out using a range of standard audit programmes the most common of which is the standard programmes for school. The number of days allocated to schools is 160 compared to 303 days in 2010/11. This reflects the abolition of FMSiS and that several schools including most of the secondary schools have chosen to go to Academy status and will be subject to closure audits only. The plan can accommodate those schools that do go out to Academy status who may buy back our services. The schools audit plan is attached as Appendix 2.
- 3.20 **Risk-Based Audits**
- 3.21 With this type of audit the auditor's prime role, is to review the internal control system and associated risks and report upon the adequacy of the arrangements in place. This represents agreed best practice from a professional audit service. Conduct of an audit using this methodology will enables us to

- a) assess how internal controls are operating in a system, thereby forming a view on whether reliance can be placed upon the system
- b) provide management with assurances that systems are adequately meeting the purposes for which they were designed
- c) provide constructive and practical recommendations to strengthen systems and address identified risks
- d) use findings to feed into an overall opinion on the control framework, thereby fulfilling S151 responsibilities
- e) furnish appropriate evidence for External Audit and other review agencies

3.22 The most common use of these types of audit is on the fundamental systems which are required to be audited each year.

3.23 **Standards**

3.24 Internal Audit within Bromley remains sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgments and recommendations. Furthermore Internal Audit operates in accordance with the four main ethical principles: integrity, objectivity, competence and confidentiality. In particular;

- All audit staff will make themselves familiar with the strategies, policies and procedures of the Council, in particular the Council's Constitution and Code of Corporate Governance, Financial Procedure Rules, Contract Procedure Rules. Audit planning will be risk based and demonstrate a link to strategic and operational risk assessments.
- Audit also has a comprehensive internal audit manual that acts as a guide for internal auditors.
- The annual audit plan will be reviewed and updated on an ongoing basis to address emerging risks and any significant amendments will be notified and agreed with the director of Resources and this Committee.
- The Chief Internal Auditor will have direct access to the Chair of this Committee and will be available at the Chairman's request. Audit reviews carried out will comply with the CIPFA Code of Practice for Internal Audit and the Audit and Risk Manager will review all files to ensure consistency.
- Auditors will aim to complete all reviews within specified timescales to ensure completion of the audit plan. All reports will be reviewed and authorised at the appropriate level before issue.
- A listing of all recommendations raised will be maintained. A summary of the key Internal Audit recommendations posing a high risk will be reported to each Audit Sub Committee.
- Investigations of suspected fraud and irregularity will be carried out in accordance with Council procedures and relevant good practice/legislation. Such investigations will be undertaken or supervised by staff with relevant knowledge and experience and in liaison with police and other regulatory bodies where relevant. Reference should be made to the Council's Anti-Fraud Corruption Policy and Strategy.

- Internal Audit staff will be appropriately qualified and/or experienced. Adequate training will be offered to staff to close any identified skills gap. Allocation of audit tasks will be in line with staff qualifications and experience.
- All audit staff will ensure they conduct themselves in accordance with the Council's Code of Conduct and relevant professional standards and codes of ethics.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

- 5.1 Under Section 151 of the Local Government Act 1972 the Authority is required to make proper arrangements in respect of the administration of its financial affairs.
- 5.2 The provisions of Regulation 6 of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 (both being Regulations made pursuant to the Audit Commission Act 1998) require the Council to maintain an adequate and effective internal audit function.

6. PERSONNEL IMPLICATIONS

There are 9.8 FTE in post to carry out this plan.

Non-Applicable Sections:	[List non-applicable sections here]
Background Documents: (Access via Contact Officer)	None

School audits - Appendix 2

SCHOOL	2011/12
Primary Audit/exit audit	Days
Alexandra Junior	3.25
Bickley Primary	3.25
Blenheim Primary	3.25
Castlecombe Primary	3.25
Edgebury Primary	3.25
Hawes Down Junior	3.25
Keston CE Primary	3.25
Leesons Primary	3.25
Malcolm Primary	3.25
Manor Oak Primary	3.25
Pickhurst Infant	3.25
Poverest Primary	3.25
St Anthony's RC Primary	3.25
St. George's CE Primary	3.25
St John's CE Primary	3.25
St. Paul's Cray CE Primary	3.25
St. Philomena's RC Primary	3.25
St. Vincent's RC Primary	3.25
Scotts Park Primary	3.25
Worsley Bridge	3.25
Highfield Junior	3.25
Holy Innocents RC Primary	3.25
Raglan Primary	3.25
Burwood	3.25
RiverSide	3.25
Sub total	81
Primary Follow-up	
Balgowan Primary	1
Burnt Ash Primary	1
Churchfields Primary	1
Crofton Infant	1
Darrick Wood Junior	1
Gray's Farm Primary	1
Green Street Green Primary	1
Hillside Primary	1
Marian Vian Primary	1
Midfield Primary	1
Mottingham Primary	1
Oak Lodge Primary	1
Parish CE Primary	1
Perry Hall Primary	1
Princes Plain Primary	1
Red Hill Primary	1
Royston Primary	1
St Mark's CE Primary	1
Southborough Primary	1
Tubbenden Primary School	1
Valley Primary	1
Warren Road Primary	1

Wickham Common Primary	1
Crofton Junior	1
Hayes Primary	1
St Mary's RC Primary	1
Majorie McClure	1
Sub total	27
Secondary audit/exit audit	
Beaverwood for Girls	3.25
Bishop Justus CE	3.25
Bullers Wood	3.25
Cator Park for Girls	3.25
Charles Darwin	3.25
Coopers	3.25
Glebe	3.25
Hayes	3.25
Kelsey Park	3.25
Langley Park for Boys	3.25
Langley Park for Girls	3.25
Newstead Wood for Girls	3.25
Ravens Wood for Boys	3.25
St Olave's	3.25
The Priory	3.25
The Ravensbourne	3.25
Sub total	52
SCHOOLS - SUMMARY	
PRIMARY	81
SECONDARY	27
SCHOOL FOLLOW UPS	52
TOTAL	160

Agenda Item 13

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 14

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