



BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH

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DATE: 6 December 2011

To: Members of the
AUDIT SUB-COMMITTEE

Councillor Neil Reddin FCCA (Chairman)
Councillor Simon Fawthrop (Vice-Chairman)
Councillors Reg Adams, Nicholas Bennett J.P., Ruth Bennett, Will Harmer and
Stephen Wells

A meeting of the Audit Sub-Committee will be held at Bromley Civic Centre on
THURSDAY 15 DECEMBER 2011 AT 7.30 PM

MARK BOWEN
Director of Resources

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 22ND SEPTEMBER 2011 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION (Pages 3 - 8)

4 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

In accordance with the Council's Constitution, questions to this Committee must be received in writing 4 working days before the date of the meeting. Therefore please ensure questions are received by the Democratic Services Team by 5pm on Friday 9th December 2011.

5 MATTERS OUTSTANDING FROM THE LAST MEETING (Pages 9 - 14)

6 ANNUAL AUDIT LETTER 2010/11 (Pages 15 - 34)

The Annual Audit Letter 2010/11 is attached, together with a presentation from PricewaterhouseCoopers "The Future of Local Public Audit."

7 INTERNAL AUDIT PROGRESS REPORT (Pages 35 - 64)

8 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

- | | |
|--|---|
| 9 EXEMPT MINUTES OF THE MEETING HELD ON 22ND SEPTEMBER 2011 (Pages 65 - 68) | Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. |
| 10 INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS REPORT (Pages 69 - 104) | Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. |

.....

AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.30 pm on 22 September 2011

Present:

Councillor Neil Reddin FCCA (Chairman)
Councillor Simon Fawthrop (Vice-Chairman)
Councillors Reg Adams, Will Harmer and Stephen Wells

61 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillor Nicholas Bennett and Councillor Ruth Bennett.

62 DECLARATIONS OF INTEREST

Councillor Simon Fawthrop declared a personal interest as an employee of BT and that he had a child who attended a school in the Borough.

Councillor Neil Reddin declared personal interests as a non LEA governor of St Olave's and St Saviour's Grammar School, as his wife was a governor of Hayes Primary School and his son attended a primary school in the borough.

63 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 7TH JUNE 2011 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

RESOLVED that the minutes (excluding those containing exempt information) of the meeting held on 7th June 2011 be confirmed.

64 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions were received.

65 MATTERS OUTSTANDING FROM THE LAST MEETING Report RES11095

Councillors were advised of matters outstanding from previous meetings and the progress made. The items marked "complete" would be removed from the report unless there was a reason for that item to remain.

RESOLVED that progress with matters outstanding from previous meetings be noted.

66 INTERNAL AUDIT PROGRESS REPORT
Report CEO1183

The Chairman welcomed Mr. Brendan Costello, Assistant Director of Finance (Governance & Audit) of the London Borough of Greenwich to the meeting.

The report advised on recent audit activity across the Council and provided updates on matters arising from the last meeting of the Sub-Committee held on 7th June 2011. Letters received from the Department of Work and Pensions relating to housing benefit and a corrected version of Appendix G were tabled. The following matters were considered in particular.

Priority One Recommendations

The latest list of outstanding priority one recommendations was attached to the report at Appendix A. It was noted that monitoring information about malware protection was still awaited from the Council's IT contractor.

Benchmarking

The Sub-Committee considered a table setting out headline benchmark comparisons for Internal Audit with fourteen other London Boroughs. The Bromley results were generally favourable, although the days per auditor figure needed to be improved.

Future Internal Audit Services

Members discussed the importance of having effective corporate and departmental risk registers that identified not only the likelihood of risk (red/amber/green or high/medium/low) but the value of the risk, and prioritising internal audit activity accordingly. It was noted that Internal Audit used a detailed risk assessment to prioritise its work.

Current Matters Relating to Schools and Academies

It was reported that Internal Audit had been engaged by four Academy Schools. Although meetings had already been held for all Head Teachers and Bursars, Members suggested writing to chairmen of governors, emphasising the importance of the Responsible Officer role, the experience of the Internal Audit Team and the risks that Academies faced.

Waivers

The Sub-Committee noted a small number of CYP placement contracts which had required waivers. In view of the very specialist nature of these placements it was necessary to spot purchase. Efforts were being made to increase the range of provision in-borough, which would reduce these costs.

Housing Benefit Update

Members noted the excellent work by Greenwich and Bromley staff in the Mahira Rustam Al-Azawi case which was resulting in £85k being repaid to

Bromley. It was confirmed that the £1m figure quoted in the press was the value of the houses involved, not the amount falsely claimed.

The Sub-Committee considered the options set out by the Department for Work and Pensions in their letter of 16th September for the proposed new Single Fraud Investigation Service (SFIS). The letter stated that option 1 was the most likely outcome, and Members considered that of the options set out this would probably be preferable, as staff would remain as local authority employees and this would allow the Council more flexibility. However, staff would be operating under SFIS powers and procedures, and it was probable that fewer prosecutions would be brought as a consequence. It was likely that legislation would be changed so that the Council would be prevented from taking out its own prosecutions. A further concern to Members was the extent of local democratic oversight and scrutiny under any new regime, which was unknown. The Council's response would be circulated to Members.

Audit Sub-Committee Terms of Reference and New Government Proposals

Revised terms of reference for the Sub-Committee had been drawn up in consultation with the Chairman and Vice-Chairman. These were supported by the Sub-Committee.

Fraud Toolkit and Anti-Fraud and Corruption Strategy

The Chairman stated that these matters on the part 2 agenda should be brought into part 1. The Sub-Committee supported the wider use of the Fraud Toolkit and the changes to the Anti-Fraud and Corruption Strategy to incorporate the changes brought about by the Bribery Act 2010.

RESOLVED that:

- (a) the issues set out in the report be noted;**
- (b) the continuing achievements of the counter fraud benefit partnership with Greenwich Council and, in particular, the commendation received from the Police and the contribution made by the investigator (paragraph 3.36 of the report), be noted;**
- (c) the proposed new terms of reference for the Sub-Committee be supported and recommended to General Purposes and Licensing Committee (Appendix 1);**
- (d) the revised anti-fraud & corruption policy, which takes account of the Bribery Act 2010, be approved;**
- (e) wider use of fraud toolkit across the authority be supported.**

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

RESOLVED that the Press and public be excluded during consideration of the items of business referred to 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.

**The following summaries
refer to matters
involving exempt information**

68 CONFIRMATION OF THE EXEMPT MINUTES OF THE MEETING OF THE SUB-COMMITTEE HELD ON 7TH JUNE 2011

The exempt minutes of the meeting held on 7th June 2011 were confirmed subject to a small amendment.

69 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 since the last meeting of the Sub-Committee. 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).

70 ANNUAL INTERNAL AUDIT FRAUD AND INVESTIGATION REPORT

The Sub-Committee received the annual report on anti-fraud activity for 2010/11.

The Meeting ended at 9.25 pm

Chairman

APPENDIX 1

Audit Sub-Committee: Terms of Reference

- Monitor internal audit's strategy, plan and performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Consider the reports of external audit and inspection agencies.
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements.
- Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

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Agenda Item 5

Report No.
RES11138

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: **Audit Sub-Committee**

Date: **15th December 2011**

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

Title: **MATTERS OUTSTANDING FROM PREVIOUS MEETINGS**

Contact Officer: Graham Walton, Democratic Services Manager
Tel: 020 8461 7743 E-mail: graham.walton@bromley.gov.uk

Chief Officer: Mark Bowen - Director of Resources

Ward: Not applicable

1. Reason for report

1.1 To advise the Sub-Committee of matters outstanding from previous meetings and progress made.

2. RECOMMENDATION

That progress with matters outstanding from previous meetings be noted.

Corporate Policy

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

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: £344,054
 5. Source of funding: 2011/12 Budget
-

Staff

1. Number of staff (current and additional): There are 9 posts (8.22fte) 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.
-

Customer Impact

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

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. Most of these issues are taken up in the Progress Reports on this agenda (parts 1 and 2.) 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
A&CS Debtors Minute 32(b)(i) 6.12.10	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.	To be addressed in a future report. Report referred to A&C PDS Committee.	Head of A&CS Finance	December 2011
Audit S/C Terms of Reference & New Government Proposals / Structure of Audit Committees / Independent Members Minute 55 (d) 7.6.11 & Minute 66 22.9.11	It was resolved that the Chief Internal Auditor, in consultation with the Ch and VC of the S/C, produce terms of reference for the S/C that are simple and include the relevant best practice information. These Terms of Reference to then be submitted to GPL Committee for approval.	New Terms of reference were drawn up for consideration by the Sub-Committee on 22 nd September 2011, and approved by the General Purposes and Licensing Committee on 1 st December 2011, with one small amendment. These terms of reference are part of the Constitution, which will need to be amended by full Council.	Chief Internal Auditor/ Chairman and Vice-Chairman of the Sub-Committee	December 2011
Children and Family Centres Minute 60/1 (a) 7.6.11 (Part 2)	Officers were requested information on Children and Family Centres such as acreage, number of children attending the centres, the number of staff and their salaries, an inventory of all payments against delivered services and supplies – a value for money exercise.	Basic details included in CYP report September 2011. Quarter four audit scheduled to cover salaries, payments and usage.	Chief Internal Auditor / Deputy Chief Internal Auditor	March 2012
Children and Family Centres Minute 60/1 (a) 7.6.11 (Part 2)	Officers to interrogate the system for cumulative spend over previous financial years and whether the companies involved appear on the Contracts Register. The resultant information to be reported to a future meeting of CYP PDS.	Included in part two report	Chief Internal Auditor / Deputy Chief Internal Auditor	March 2012

NFI2010 – Blue Badges Minute 60/1 (e) 7.6.11 (Part 2)	It was resolved that a report on comparative statistics with regard to the use of Blue Badges by submitted to a future meeting of the E&R PDS.	The report was considered and noted by the Executive and Resources PDS Committee on 14 th November 2011.	Chief Internal Auditor/ Deputy Chief Internal Auditor	November 2011
Internal Audit Progress Report: Priority 1 Recommendations: Malware protection Minute 66 22.9.11	It was noted that monitoring information about malware protection was awaited from the Council's IT contractor.	See the Internal Audit Progress Report	Chief Internal Auditor/ Deputy Chief Internal Auditor	December 2011
Internal Audit Progress Report: Academy Schools Minute 66 22.9.11	Members suggested writing to Chairmen of Governors to encourage use of Internal Audit services.	A letter has been written to Chairmen of Governors.	Chief Internal Auditor/ Deputy Chief Internal Auditor	October 2011
Internal Audit Progress Report: Housing Benefit Update Minute 66 22.9.11	The Council's response on the Single Fraud Investigation Service to be circulated.	The document has been circulated.	Chief Internal Auditor/ Deputy Chief Internal Auditor	December 2011
Internal Audit Fraud & Investigation Progress Report: Arrears Minute 69/1 (Part 2) 22.9.11	Officers to investigate use of debt collection agencies and head of Revenues and Benefits attend the next meeting if action on arrears is not considered sufficient.	See the Internal Audit Fraud and Investigation Progress Report (part 2).	Chief Internal Auditor/ Deputy Chief Internal Auditor	December 2011
Internal Audit Fraud & Investigation Progress Report: Children and Family Centres Minute 69/1 (Part 2) 22.9.11	Officers to ask Fever Design Ltd to remove the Council's name from its website.	CYP officers have written to the company – see the Internal Audit Fraud and Investigation Progress Report (part 2.)	Chief Internal Auditor/ Deputy Chief Internal Auditor	December 2011
Internal Audit Fraud & Investigation Progress Report: Small Fraud cases (Case 313) Minute 69/1 (Part 2) 22.9.11	Update requested on release of money held in respect of the Queenborough Gardens development	See the Internal Audit Fraud and Investigation Progress Report (part 2.)	Chief Internal Auditor/ Deputy Chief Internal Auditor	December 2011
Internal Audit Fraud & Investigation Progress Report: Purchase Cards Minute 69/1 (Part 2) 22.9.11	Further information about the purchase cards scheme to be sought from the Head of Procurement	See the Internal Audit Fraud and Investigation Progress Report (part 2.)	Chief Internal Auditor/ Deputy Chief Internal Auditor	December 2011

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Agenda Item 6

Report No.
CEO 1188

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: Executive
Audit Sub Committee

Date: 14th December 2011
15th December 2011

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

Title: ANNUAL AUDIT LETTER 2010/11

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

Chief Officer: Doug Patterson, Chief Executive

Ward: All

1. Reason for report

The purpose of this letter is to provide a high level summary of the results of the 2010/11 audit work that the external auditor has undertaken.

2. **RECOMMENDATION(S)**

a. **Note the report**

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: Audit
 4. Total current budget for this head: £376,660.
 5. Source of funding: N/A
-

Staff

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

Legal

1. Legal Requirement: Statutory requirement. Audit Commission Act 1998
 2. Call-in: Call-in is not 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: None

3. COMMENTARY

3.1 The purpose of the attached letter is to provide a high level summary of the results of the 2010/11 audit work that the external auditor has undertaken. PWC have already reported the detailed findings from their audit work to those charged with governance in the following reports:

- London Borough of Bromley 2010/11 Audit Plan.
- London Borough of Bromley Pension Fund 2010/11 Audit Plan.
- London Borough of Bromley ISA 260 Report to those charged with Governance.
- London Borough of Bromley Pension Fund ISA 260 Report to those charged with Governance.
- Audit opinion on the London Borough of Bromley 2010/11 financial statements, including Value for Money Conclusion.
- Audit opinion on the London Borough of Bromley Pension Fund.
- Internal Control Recommendations report to management.

3.2 It is pleasing to note that there were not any significant recommendations raised in the ISA 260 reports on the audit of the Authority's financial statement or pension fund and that the internal control report recommendations notified separately to the Finance Director along with action plans have been agreed with officers. The areas where recommendations for improvement have been identified include:

- Developing a formal process to consider the potential valuation movements of all Land & Building assets.
- Ensuring that the value of all Investment Properties are considered on an annual basis.
- Undertake a review the closedown process to ensure that the procedures for ensuring that expenditure is recorded in the right financial year are appropriate.
- Further testing of disaster recovery plans and system access and monitoring.

4. FINANCIAL IMPLICATIONS

4.1 The external audit fee arrangements are set annually by the Audit Commission. The fee is calculated using a fee scale that takes into account the work required to deliver the requirements set out in the Audit Commission's Code of Practice and is adjusted along a range based on the external auditor's assessment of risk at a particular authority. The fee is negotiated each year.

5. LEGAL IMPLICATIONS

5.1 Auditors' responsibilities are set out in the [Audit Commission Act 1998 \(external link\)](#). There is a [Code of Audit Practice for local government bodies](#). These Codes prescribe how auditors carry out their functions under the Act and are approved by Parliament at least once every five years, giving them statutory effect.

6. PERSONNEL IMPLICATIONS

6.1 None.

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Government and Public Sector
***London Borough of
Bromley***

Annual Audit Letter

2010/11

November 2011

7 More London Riverside,
London,
SE1 2RT

The Members
London Borough of Bromley
Civic Centre
Stockwell Close
Bromley
BR1 3UH

24 November 2011

Ladies and Gentleman

We are pleased to present our Annual Audit Letter summarising the results of our 2010/11 audit.

Yours faithfully

PricewaterhouseCoopers LLP

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. 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.

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<i>Summary of Recommendations</i>	9

Introduction

The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2010/11 audit work we have undertaken at London Borough of Bromley that is accessible for the Authority and other interested stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- London Borough of Bromley 2010/11 Audit Plan.
- London Borough of Bromley Pension Fund 2010/11 Audit Plan.
- London Borough of Bromley ISA 260 Report to those charged with Governance.
- London Borough of Bromley Pension Fund ISA 260 Report to those charged with Governance.
- Audit opinion on the London Borough of Bromley 2010/11 financial statements, including Value for Money Conclusion.
- Audit opinion on the London Borough of Bromley Pension Fund.
- Internal Control Recommendations report to management.

The matters reported here are those that we consider are most significant for the Authority.

Scope of work

Our audit work is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements;
- reviewing the Annual Governance Statement;
- forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission.

Our 2010/11 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2011.

Audit Findings

Accounts

We audited the Authority's Statement of Accounts in line with approved Auditing Standards and issued an unqualified audit report on 29 September 2011.

We would like to thank officers and their teams for their assistance with the 2010/11 audit process.

We identified the following key matters from our audit of accounts:

- Implementation of International Financial Reporting Standards
- Valuation of Property, Plant & Equipment
- Valuation of Investment Properties.

Implementation of International Financial Reporting Standards (IFRS)

Under the Code of Practice on Local Authority Accounting the Authority was required to prepare the 2010/11 financial statements under International Financial Reporting Standards (IFRS). This also required the restatement of the 2009/10 financial statements and the balance sheet as at 1 April 2009.

The Authority has worked through the guidance issued to produce IFRS compliant financial statements. The finance team worked hard to produce a first draft of the financial statements in July 2011 which were of a high standard.

A number of key areas of focus were identified during the IFRS restatement process and are summarised below:

- **Accounting for leases**
Under IFRS the Authority was required to consider the nature of the leases which it has in place, to identify whether the lease represents an operating lease or a finance lease. The Authority worked to consider the significant leases which it held and whether these should be accounted for as operating leases or finance leases.
- **Component accounting**
Under IFRS the Authority was required to identify the individual components within Property Plant and Equipment assets, apply a value to each component and depreciate those over their individual useful economic lives. Management considered componentisation across the Land & Buildings assets with a value in excess of £1.0m that have been revalued in year (see below) and applied componentisation to those assets. The impact on the overall depreciation charge was an increase of £25,000 across this asset population, extrapolated to £143,000 for the entire Land & Buildings population.
- **Holiday pay accrual**
The Authority calculated the holiday pay accrual that existed at 31 March 2011. This represented the holiday entitlement that has been earned and not taken at the balance sheet date. The Authority reflected an accrual of £7.8 million on the balance sheet as at 31 March 2011.

Valuation of Property, Plant and Equipment

In line with its accounting policy the Authority revalued 20% of its Land & Buildings in year as at 31 March 2011. The value of these revalued assets totalled £277.6 million. Valuation gains of £23.7 million and impairment losses of £12.4 million were recorded on Land & Buildings in year, resulting in an overall valuation gain of £11.3 million.

We asked management to consider formally the impact of the valuation movements identified by the 20% land and buildings across the remaining population of assets not revalued in years. We also requested management consider any potential impairment of classes of assets which were revalued in year. Management completed both of these exercises and overall we were satisfied with the valuation exercise undertaken during 2010/11.

However, as noted in previous years and reported to those charged with Governance, the Authority would benefit from a more formal process for monitoring valuation movements in year to ensure that the balance sheet at the 31 March accurately reflects the value of the asset base. We will work with management in the coming months to document a formal process in this area.

Valuation of Investment Properties

Under International Financial Reporting Standards the Authority is required to consider the valuation of all Investment Properties on an annual basis. In 2010/11 the Authority revalued £35.5 million of the Investment Properties of £49.1 million. Gains on revaluation of £0.1 million were recorded in the financial statements. The Authority has considered the valuation of the non-valued assets and believes there are no indicators of impairment in this area.

Overall we were satisfied that as a result of the valuation exercise undertaken during 2010/11 that the asset value is materially accurate. Going forward the Authority should ensure that the valuation of all Investment Properties is considered on an annual basis to ensure the balance sheet values accurately reflect the value of the Investment Properties held.

Economy, efficiency and effectiveness

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

In accordance with guidance issued by the Audit Commission, in 2010/11 our conclusion was 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 were not required to reach a scored judgment in relation to these criteria and the Audit Commission has not developed 'key lines of enquiry' for each criteria. Instead, we have determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We are pleased to confirm that we have issued an unqualified value for money conclusion.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Summary of recommendations

There were not significant recommendations raised in our ISA 260 reports on the audit of the Authority's financial statement or pension fund.

We report internal control recommendations separately to the Finance Director and action plans have been agreed with officers.

Our Internal Control Report, issued in October 2011, has been approved and officers are working actively to address the recommendations raised. The areas where recommendations for improvement have been identified include:

- Develop a formal process to consider the potential valuation movements of all Land & Building assets.
- Ensure that the value of all Investment Properties are considered on an annual basis.
- Some low value expenditure items were found to be recorded in the wrong financial period. Therefore it would be beneficial to undertake a review the closedown process to ensure that the procedures for ensuring that expenditure is recorded in the right financial year are appropriate.
- IT controls, including testing of disaster recovery plans and system access and monitoring.

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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The Future of Local Public Audit

PwC presentation to the London
Borough of Bromley's Audit Sub
Committee

15 December 2011

Timetable for change

August 2010

Secretary of State for Communities and Local Government announced the end of the Audit Commission. This signalled a new era of public sector audit.

April 2011

The Department for Communities and Local Government issued a consultation paper to discuss the Government's proposals for how a new local government audit framework would operate.

July 2011

The Department for Communities and Local Government confirmed that the work of the Commission's in-house Audit Practice will be outsourced to the private sector (effective from the financial year 2012/13 and for an anticipated period of three or five years).

From 2012/13

The audits of all local government bodies will be undertaken by the private sector.

From 2015/16 or 2017/18

Under current proposals local government bodies will be able to appoint their own external auditors. The exact timing s and details for how this will work have yet to be finalised.

Post Audit Commission

- A procurement process is now underway to appoint auditors to deliver the work that is currently undertaken by the Audit Commission's in house team.
- The total national contract has been split into four regions and ten lots, and, to ensure that no one firm dominates the market, the maximum number of lots that can be awarded to any bidder has been limited to four (one in each region).
- A contract award decision is expected by 24 February 2012.
- The successful bidder will be appointed auditor for a period of three or five years starting in 2012/13. It is expected that after three or five years local councils and other public bodies will be able to plan to appoint their own auditors – creating auditor choice.
- Those bodies who are already audited by private sector firms are not included in the scope of the tender, where the existing framework contract remains in place. Therefore it is likely (based on current information) we will remain as the auditors of London Borough of Bromley for the length of the new contracts that are issued i.e. until 2015/16 or 2017/18.
- We will continue to communicate developments to Officers as the process progresses. We would be happy to provide an update to this committee at a later date if that would be beneficial.

Other proposals

The DCLG consultation paper, 'The Future of Public Audit' confirmed the proposal to disband the Audit Commission. However it also sought comments on a series of options covering the following:

- Regulation of local public audit, including the role of the National Audit Office
- Commissioning of local public audit services
- The scope of the audit
- The role of audit committees, including independent membership

The final proposals, following consultation, have yet to be released.

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Report No.
CEO 1187

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: **Audit Sub Committee**

Date: **15th December 2011**

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

Title: **INTERNAL AUDIT PROGRESS REPORT**

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

Chief Officer: Doug Patterson, 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 Previous Priority One Recommendations
 - 3.5 Audit Activity and Performance
 - 3.11 Future of Internal Audit
 - 3.16 Housing Benefit Update
 - 3.20 Future of Public Audit
 - 3.22 Partnership Working
 - 3.24 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. (paragraph 3.16)**

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: £616,250.
 5. Source of funding: N/A
-

Staff

1. Number of staff (current and additional): 10 FTE(excluding Greenwich Fraud Partnership)
 2. If from existing staff resources, number of staff hours: 302 days per quarter
-

Legal

1. Legal Requirement: Statutory requirement. Accounts and Audit Regs 2011
 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 Priority One recommendations

3.2 The latest list of outstanding priority one recommendations is shown in Appendix A. Since our last report to Audit Sub Committee there has been ongoing activity by management to implement these. Appendix A currently shows the original priority one recommendation made with an update where applicable.

3.3 New priority ones -This quarter only one priority one recommendation has been made in the finalised reports this is expanded upon in part two of this agenda.

3.4 Review of Debtors update - following concerns expressed by the Audit Sub Committee regarding the level of outstanding debt a part two report was made to Members of ACS in November 2011. The report included details of the debts and the actions being taken or proposed. As recommended in the Debtors Audit Report, a new monitoring report has now been produced to enable more robust monitoring of suppressed invoices with a view to resolving outstanding disputes in a more timely fashion and taking prompt recovery action. In addition, fortnightly arrears meetings are now in place to monitor progress. Also following a “debtors health check” undertaken by Liberata as part of the Exchequer Services contract Liberata have put forward a proposal to undertake additional income and debt recovery functions on behalf of the Council which would deliver an estimated savings of £46,000 per annum for the next three years. Liberata have advised they are confident that the approach using centralised revenue collection and recovery, dashboard reporting and tracking mechanisms, a bailiffs review and more robust tracing processes will deliver improved collection rates.

3.5 Audit Activity and Performance

3.6 For the quarter ended 30th September we issued 89 reports against the plan to either draft or final stage. These include full systems and probity audits, schools and follow up audits and carried forward audits. This leaves us behind our planned output due to the level of unplanned work.

3.7 89% of the audits have been completed within the agreed budgeted time allowed against a performance indicator requirement of 90% and the feedback from clients has remained very positive with an average score of 4.2 out of 5 against the target of 3.

3.8 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 we have achieved 82%. The fieldwork and associated consultation process is likely to be revised for next year given the ongoing non achievement of this target.

3.9 The planned schools audits that had been temporarily suspended due to resource constraints and the level of unplanned work are now scheduled to take place later on this year after a consultation with the Director of Children and Young People Services.

3.10 **Audit activity since in 2011/12** - A summary of the work undertaken to date is shown in Appendix B. Within the final reports issued against this year’s plan there have been 15 substantial assurances with 5 limited assurances. The rest of the reports are either at draft stage or work in progress.

3.11 Future of Internal Audit

3.12 A number of Aligning Policy & Finance reviews have now been undertaken which were commissioned by Cabinet since May 2011. Internal Audit was one of the areas that Members wish to be considered as part of Aligning Policy and Finance. The full report is available in the Members room and has been reported to the Improvement and Efficiency Sub Committee in October 2011. Subsequent to this review and as part of the intended budget savings the Internal Audit budget will be subject to a large reduction of some £353,000 between 2011/12 and 2013/14 of which £100,000 is forecast income from Greenwich. The impact of such a reduction will be felt in the main through a reduction in salary costs with the direct and significant impact on available audit days and auditors to deliver the plan.

3.13 The future audit plan will need to cover all areas deemed as high risk as well as a number of days in each directorate to cover management requests and those areas that though not high risk need to be covered on a cyclical basis the audit resource will be severely stretched. In addition, given the increase in time spent on fraud, investigations and the national fraud initiative data matching exercise extra time will be needed for this. Although it is recognised that with some schools electing to convert to academy status and the abolition of the schools finance standard there should be a significant reduction in time spent on schools audits there is still an acknowledged requirement for internal audit coverage to allow the yearly sign off to DfE by the Section 151 officer. Initial estimates allowing for 12 schools in a year (3 per quarter) over a five year cycle and up to 30 days for sold services to academies for the responsible officer role and follow up audits would require 70 days compared to 160 days allowed for in this year's plan.

3.14 The upshot is that with a restructure featuring one Head of Audit and 4 full time Bromley auditors only about 700 to 750 audit days would be achievable a reduction of some 40% from the current year. Approximately 300-350 days would be reserved for sold services to Greenwich and the academies to balance the budget through income generation. At this level of coverage the reporting and governance arrangements will need to be revisited as the servicing of the audit committee in the past has taken a significant amount of management time in producing the reports.

3.15 Against this backdrop the Chief Executive is undertaking a consultation exercise with the staff affected which is essentially all the audit staff. The results of this will be known early in 2012 with an implementation date for a phased restructure into next financial year to achieve the savings target. The Chief Executive appreciates that this will be very tight to run a comprehensive audit service and will seek to buy in additional support in the event of significant fraud cases or unpredicted levels of unplanned work.

3.16 Housing Benefit Update

3.17 Since the inception of the partnership in April 2002, through to October 2011, the Council has successfully prosecuted 282 claimants to date for benefit fraud; issued 260 court summonses; given 91 formal cautions; and administered 303 penalties. The full details and appendices on trends are shown in Appendices C, D and E.

3.18 In the case reported to the last meeting which began in 2008 resulting in recovering fraudulent overpayments by confiscation of assets using the Proceeds of Crime legislation it has now become the subject of a BBC programme highlighting notorious frauds and scams which is due to be aired in January next year. In this case the Police and others have acknowledged the diligence of the Investigators which led to the successful prosecution which may well have failed had it not been for the initial

vigilance of Bromley staff member and the determination of the Greenwich investigating officer both of whom have been subsequently recognised for this work.

3.19 The proposal towards a single integrated fraud service SFIS for housing benefits under the control of the DWP is still scheduled for April 2013. The working assumption is that option one included in the CLG consultation will receive the go ahead and so the initial impact will not be to endanger the current partnership arrangement which still has two years to run although working practices are likely to change. In summary most Councils have taken the view that SFIS as originally proposed would undermine the ability to investigate effectively for three main reasons: removal of local knowledge; removing councils' ability to work across a range of possible fraud areas and not just benefits; and loss to councils of the powers to investigate they currently hold. The DWP have confirmed on 01/12/2011 that the ministerial decision made by Lord Freud is to implement option one. Option one stated that Local Authority staff remain employed by LAs, but operate under SFIS powers, policies, processes and priorities.

3.20 Future of Public Audit

3.21 Previously Members have been informed about the proposals. The LBB response to the CLG consultation back in the Summer 2011 is attached for information (Appendix F). the CLG are due to publish their response soon. There is also a wider briefing included elsewhere on this agenda.

3.22 Partnership Working

3.23 The new Partnership agreement with the London Borough of Greenwich is working well and we have issued four reports with three others as work in progress. We have now invoiced for the work done. Where possible and appropriate, Internal Audit are looking to streamline working practices and benefit from undertaking core audits at both London Boroughs where services are similar and lessons can be learnt from any mutual control weaknesses identified. We have also where possible, used the same auditor for carrying out similar audits in both authorities to promote consistency and knowledge of the area.

3.24 Risk Management

3.25 The Risk Management Group continues to monitor the potential risks emerging from the Localism Bill which was given Royal Assent on 15 November 2011, becoming an Act. The Act will shift power from central government back into the hands of councils, communities and individuals.

The Department for Communities and Local Government has provided an updated plain English guide to the Localism Act:

<http://www.communities.gov.uk/documents/localgovernment/pdf/1896534.pdf>

As the Government will still need to set out further details and hold public consultations on different parts of the Act the current aim is that many major measures will come into effect in April 2012.

3.26 As part of improvements to the quarterly performance monitoring report 'Are we on track?' COE agreed that the corporate risks (Appendix G) needed to be linked to named officers. In addition we have been tasked with developing one risk register to be owned by the new Corporate Management Team from January 2012. COE will provide updates to this, including new risks as a result of national changes. To this end risks relating to Public Health and the transfer of responsibilities need to be included in the risk register.

3.27 Work on putting a value on each high risk is continuing as this has not proved to be an easy exercise. Most risks, should they occur, involve loss. This loss does not necessarily have to be monetary but, more often than not, either directly or indirectly, monetary loss occurs. Where losses are covered by insurance it is worth bearing in mind that that for each £1 of direct loss, the cost of indefinable, indirect losses can be anything between 8 times and 36 times greater e.g. management time, impact on service delivery, performance, reputation.

The risks can be split as follows:

Risks where a prior event has occurred and where we know what the direct cost was. For example the impact of snowfall on winter maintenance and waste collection was c£800k last year.

Risks which are currently materialising and where overspends have already been identified. For example the rising use and cost of bed and breakfast accommodation where there is a projected end of year overspend of c£500k.

Then there are the risks that may materialise in the future but where we have difficulty in putting a value on them. We currently have £217m placed on deposit with various financial institutions. Although it is difficult to predict, another financial meltdown could, on a worse case basis, result in another Heritable Bank scenario where funds are locked-in for several years.

We are asking the departmental SMTs to review and sign-off our final report on this for the March meeting.

3.28 As part of the Management Essential Programme we have produced a combined training module incorporating Risk, Health and Safety, Emergency Planning and Business Continuity to provide an overview of 'Managing Risk' and why it is essential.

4. POLICY IMPLICATIONS

4.1 None.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL IMPLICATIONS

6.1 None.

7. PERSONNEL IMPLICATIONS

7.1 None.

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

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
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. Update as at September 2011, Oracle Advanced Collections still not implemented, audit is in progress.	High
ACS/068/01/2009	Emergency Accommodation & Rent Accounts	Nil Assurance	10/s	Part 2	In progress	Interim Head of Revenues & Benefits/ Exchequer Manager	One outstanding recommendation on rent arrears covered in part two report	High
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. To be followed-up in Quarter 3 2011/12	Low
CYP/Inv/2010	Primary School B	N/A	1	Part 2	In Progress	HT	Part 2	High
LD/001/01/2010	Out of Hours Site Security	Limited Assurance	1	Testing of a sample of people who have been issued an access card could not confirm that only current Bromley employees or selected Contractor's staff have an active access card. Of a sample of 25 access cards that have been issued, where it was identified people were not on a list of current Bromley employees, for 7 cards it could not be ascertained for the card issued if this person was a current or previous employee. Three cards were found to still be active despite the employee having left the authority. Additionally it was identified that 44 members of staff and councillors have 2 active access cards.	In Progress	Assistant Director Audit and Technical Facilities & Support Services Manager Head of ICT	Managers via CMG have been reminded of their responsibility to complete work force removal requests as expected for leavers. In liaison with ISD, reports will be run from the system to identify potential people who should be removed from the system. Management will be consulted as to whether to remove the people identified. Full review of this area scheduled for Q4 2011/12.	High
CYP/Inv/2010	Children's Centres	N/A	20/s	Part 2	In Progress	Asst Dir (Access & Inc.)	Part 2. Of the 8 recommendations, 6 have been implemented and 2 are ongoing.	High

Report Number/Date	Title	Opinion	No. of Priority One's	Details of Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
RD/103/01/2011	Malware Protection	Limited Assurance	1	<p>Throughout the course of the audit, queries in relation to AV software updates were promptly responded to, though evidence requested including the Contractor's documented procedures, evidence of examples of the AV software detecting viruses and performance against targets in the SLA were not provided.</p> <p>A copy of the Service Specification for the ICT contract was provided. It was examined and found to require the contractor to work with the authority to ensure the network is secure from attack. 15 specific activities that contribute to security are then listed, two of which will be Performance Indicators. These are:</p> <p>3.2 Monitor for and report to the Authority the occurrence of Network access violations and malware infections. Escalate any such occurrence immediately to the Authority and isolate the outbreak. Remove any and all malware from the Authority asset as a matter of urgency</p> <p>3.7 Ensure that the latest security patches, upgrades, updates, etc. are deployed across the Authority's ICT infrastructure (including personal devices) within 24 hours of becoming available.</p> <p>Evidence of performance against these indicators was requested, but was not provided during the course of the audit.</p> <p>It was discussed with the ICT Technology Manager that the new contractor has increased the number of staff who take responsibility for each section of the SLA</p>	In Progress	Information Assurance Manager & ICT Technology Manager	<p>Accepted. SLA monitoring will be undertaken and evidence provided to audit. Whilst the contractor does notify the authority of any attacks and works with the authority to irradicate them we are still awaiting copies of their internal procedures.</p> <p>A documented procedure will be supplied.</p> <p>This aligns with ITHC (Information Technology Health Check work already underway.</p>	High
CYP/024/01/2011	Pupil referral unit 2011-12	Limited Assurance	1	Part 2	In Progress	Head of Access and Admissions	All relevant managers in the Behaviour service, inc Pupil Referral Service, have been formally reminded of this responsibility and issued with relevant extracts from LBB financial regulations. Compliance will be monitored by Head of Access and Admissions	High

The following priority one recommendations have been implemented:

- Emergency accommodation & Rent accounts - 3 of the 4 priority ones have been implemented
- Children's Centres - 6 priority 1 recommendations have been fully implemented, 2 o/s included in part 2
- Direct Payments - the department has implemented improved controls around monitoring of information requested. Systems have changed due to personalisation and the collection of monitoring information so the recommendation is now redundant.
- Parking - reconciliations up to date- apart from season ticket reconciliation approx £7k per annum remains to be completed
- Student exemptions - overpayment identified has been actioned for recovery

AUDIT PLAN 2011/12 SUMMARY OF PROGRESS

Dept	Audit	Planned Days	Coverage	Responsible Officer	Audit Outcome/Status
CHIEF EXECUTIVES					
CX/AUD	Money Laundering policy	5	A compliance review of communication of and adherence to the money laundering policy.	Chief Internal Auditor	Final Report Issued - Limited Assurance
CX/COM	Communications Audit	5	A review of communication arrangements to focus on adherence to the Internal Communications Framework.	Chief Executive	Final Report Issued - Substantial Assurance
CX/COM	Information Requests	8	A compliance review of FOI request processing, focusing on Section 45 of the Freedom of Information Act and handling of any complaints under Section 50.	Assistant Director, Democracy and Registration	Final Report Issued - Substantial Assurance
CX/HR	Agency Staff	10	A review of compliance with HR Special Recruitment Measures in relation to agency worker appointment requirements and arrangements to ensure compliance with agency worker rights from October 2011.	Assistant Chief Executive HR	Final Report Issued - Limited Assurance
	Follow-ups				
	Training (Expenditure) f/u	2			Final Report Issued
	Policy & Partnerships Audit f/u	2			Audit cancelled - recommendations no longer relevant as board no longer exists

RESOURCES

RD/ES	Election Expenses Audit	7	A probity review of electoral expenses.	Assistant Director, Democracy and Registration	Work In Progress
RD/FIN	Council Tax Audit	15	To include a review of SPD and Exemption cases as well as recovery processes. Key Financial Controls to be covered as part of a Fundamental System Review.	Head of Benefits and Revenue	Work In Progress
RD/FIN	Debtors-Income Audit	20	A review of usage of new advanced collections module and hold cases review process as part of a review of aged debt. Key Financial Controls to be covered as part of a Fundamental System Review.	Head of Benefits and Revenue	Final Report Issued - Limited Assurance
RD/FIN	Capital Budget Control Audit	15	A review of the capital programme governance and controls at project level for a specific capital scheme. Including associated consultancy costs.	Group Accountant (Technical)	Draft Report Issued - Substantial Assurance

Dept	Audit	Planned Days	Coverage	Responsible Officer	Audit Outcome/Status
RD/FIN	NNDR Audit	15	To include a review of recovery. Key Financial Controls to be covered as part of a Fundamental System Review.	Head of Benefits and Revenue	Final Report Issued - Substantial Assurance
RD/FIN	Cash & Banking-Cashiers Audit	15	A review of alternate payment arrangements due to Cash Office closure and banking arrangements. Key Financial Controls to be covered as part of a Fundamental System Review.	Head of Benefits and Revenue	Final Report Issued - Substantial Assurance
RD/FIN	Payroll-Expenses Audit	20	To include a review of Overtime claims and compliance with vetting and barring requirements for new starters.Key Financial Controls to be covered as part of a Fundamental System Review.	Revenues Manager (Operations)	Work In Progress
RD/FIN	Pensions Audit	10	To include a review of school contributions to the scheme where the school does not use Resourcelink. Key Financial Controls to be covered as part of a Fundamental System Review.	Head of Finance (CYP)	Work In Progress
RD/FIN	Creditors-Cheque Control Audit	20	To include coverage of new cheque printing and supplier set up arrangements. Key Financial Controls to be covered as part of a Fundamental System Review. Testing of iProc controls will be covered where applicable.	Exchequer Manager	Work In Progress
RD/ICT	Virus Protection	10	A review of virus protection controls over files and data transfer.	Head of ICT	Final Report Issued - Limited Assurance
RD/ICT	Data management	10	A review of data management changes arising out of the new data classification requirements.	Head of ICT	Final Report Issued - Limited Assurance
RD/ICT	Software Licence Management	10	A review of software licence management controls.	Head of ICT	Work In Progress
ACS/CYP	Carefirst System	15	A review of system access controls in light of CYP and other areas using Carefirst (Respite and BSAP). Also to cover controls around invoicing from Carefirst.	Head of ICT	Work In Progress
RD/LDS	Legal Costs	10	This audit will assess how legal costs are budgeted for, monitored and managed.	Assistant Director, Legal & Support Services	Work In Progress
RD/PRO	Prepayment Cards Audit	10	A systems based review of the control framework around pre-payment cards including monitoring arrangements and compliance with Financial Regulations.	Head of Corporate Procurement	Work In Progress
RD/PRO	Purchasing Cards Audit	10	To include a review of Purchasing Card usage and monitoring arrangements.	Head of Corporate Procurement	Work In Progress
	Follow-ups				
	Data Quality f/u	2			Final Report Issued

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Dept	Audit	Planned Days	Coverage	Responsible Officer	Audit Outcome/Status
	Oneway Programme f/u	2			Final Report Issued
	Disaster Recovery f/u	2			Work in Progress
RD/FIN	Council Tax Student Exemptions	Unplanned	Investigation into Council Tax Student Exemptions	Head of Benefits and Revenue	Final Report Issued
RD/FIN	VAT	Unplanned	A system based audit of the controls surrounding the VAT system	Head of Co-ordination and Control (Finance)	Final Report Issued - Substantial Assurance
RD/ICT	Libraries Network	Unplanned	A gap detection review of the libraries network and infrastructure against the corporate network and hardware standards	Head of ICT	Work In Progress

ADULT & COMMUNITY SERVICES

ACS/HOU	Housing Grants follow-up	1	Follow up of previous internal audit recommendations	AD Housing and Residential Services	Final Report Issued
ACS/C&P	Carers Grant follow-up	2	Follow up of previous internal audit recommendations	AD Commissioning & Partnerships	Work In Progress
ACS/C&P	Drug Action Team	12	Audit brought forward from 2010/11. Review of procedures and arrangements for monitoring efficiency of procedures within the Drug Action Team to achieve agreed outcomes.	AD Commissioning & Partnerships	Work In Progress
ACS/ADT	Supported living	12	Review of process for assessing clients with learning disabilities for supported living. To ensure contracts are in place and Care First records are accurate. Review process for allocating personal budgets and direct payments where relevant.	AD Commissioning & Partnerships	Work In Progress

CHILDREN AND YOUNG PEOPLE SERVICES

P/ IYS	Grant aid plus follow-up	5	Review of allocations of grant aid fund via the BCVYS plus follow-up to previous recommendations	AD Learning & Achievement	Work In Progress
P/ L&A	Standards and Achievement follow-up	2	Follow-up previous recommendations	AD Learning & Achievement	Final Report Issued
CYP/R&R	Children's placements	10	Review of process for allocating children's placements including compliance with procedures. VfM	AD Safeguarding & Social Care	Final Report Issued - Substantial Assurance
CYP/R&A	Safeguarding	10	Review of procedures for safeguarding children to include the impact of not using volunteers. VfM	AD Safeguarding & Social Care	Work In Progress
CYP/SSC	Youth Offending Team	2	Follow-up previous recommendations	AD Safeguarding & Social	Final Report Issued
CYP/PRU	Pupil Referral Unit	Unplanned	Request from management	Head of Behavioural Unit	Final Report Issued

Dept	Audit	Planned Days	Coverage	Responsible Officer	Audit Outcome/Status
CYP/ACC	Children & Families	Unplanned	Issues arising from investigation	Director CYP	Final Report Issued
	Schools				
CYP/PRI	Alexandra Junior School	3.25	School Audit	Head Teacher	Final Report Issued - Substantial Assurance
CYP/PRI	Bickley Primary School	3.25	School Audit	Head Teacher	Final Report Issued - Substantial Assurance
CYP/PRI	Blenheim Primary School	3.25	School Audit	Head Teacher	Draft Report Issued - Substantial Assurance
CYP/PRI	Castlecombe Primary School	3.25	School Audit	Head Teacher	Final Report Issued - Substantial Assurance
CYP/PRI	Edgebury Primary School	3.25	School Audit	Head Teacher	Final Report Issued - Substantial Assurance
CYP/PRI	Holy Innocents School	3.25	School Audit	Head Teacher	Final Report Issued - Substantial Assurance
CYP/PRI	Leesons Primary School	3.25	School Audit	Head Teacher	Final Report Issued - Substantial Assurance
CYP/PRI	Malcolm Primary School	3.25	School Audit	Head Teacher	Final Report Issued - Substantial Assurance
CYP/PRI	Poverest Primary School	3.25	School Audit	Head Teacher	Final Report Issued - Substantial Assurance
CYP/SEC	Burwood School	3.25	School Audit	Head Teacher	Final Report Issued - Substantial Assurance
CYP/PRI	St Vincent's Catholic Primary School	3.25	School Audit	Head Teacher	Final Report Issued - Substantial Assurance
CYP/SEC	Riverside School	3.25	School Audit	Head Teacher	Final Report Issued - Substantial Assurance
CYP/PRI	Balgowan Primary School	3.25	Closure Audit Academy	Head Teacher	Work in Progress
CYP/PRI	Biggin Hill Primary School	3.25	Closure Audit Academy	Head Teacher	Work in Progress
CYP/PRI	Darrick Wood Primary School	3.25	Closure Audit Academy	Head Teacher	Work in Progress
CYP/PRI	Green St Green Primary School	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/PRI	Hayes Primary School	3.25	Closure Audit Academy	Head Teacher	Draft Report Issued
CYP/PRI	Pickhurst Infant School	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/PRI	Pickhurst Junior School	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/PRI	Stewart Fleming Primary School	3.25	Closure Audit Academy	Head Teacher	Draft Report Issued
CYP/PRI	Warren Road Primary School	3.25	Closure Audit Academy	Head Teacher	Final Report Issued

Dept	Audit	Planned Days	Coverage	Responsible Officer	Audit Outcome/Status
CYP/SEC	Beaverwood School for Girls	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/SEC	Bishop Justus CE School	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/SEC	Bullers Wood School	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/SEC	Cator Park School	3.25	Closure Audit Academy	Head Teacher	Work in Progress
CYP/SEC	Charles Darwin School	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/SEC	Coopers Technology College	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/SEC	Hayes School	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/SEC	Kelsey Park Sports College	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/SEC	Langley Park School for Boys	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/SEC	Langley Park School for Girls	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/SEC	Newstead Wood School for Girls	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/SEC	Ravens Wood School	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/SEC	The Ravensbourne School	3.25	Closure Audit Academy	Head Teacher	Final Report Issued
CYP/PRI	Balgowan Primary School	1	Follow Up	Head Teacher	Final Report Issued
CYP/PRI	Gray's Farm Primary School	1	Follow Up	Head Teacher	Final Report Issued
CYP/PRI	Marian Vian Primary School	1	Follow Up	Head Teacher	Final Report Issued
CYP/PRI	Midfield Primary School	1	Follow Up	Head Teacher	Final Report Issued
CYP/PRI	Mottingham Primary School	1	Follow Up	Head Teacher	Work in Progress
CYP/PRI	Parish CE Primary School	1	Follow Up	Head Teacher	Work in Progress
CYP/PRI	Perry Hall Primary School	1	Follow Up	Head Teacher	Final Report Issued
CYP/PRI	Princes Plain Primary School	1	Follow Up	Head Teacher	Final Report Issued
CYP/PRI	Red Hill Primary School	1	Follow Up	Head Teacher	Final Report Issued
CYP/PRI	St Mark's CE Primary School	1	Follow Up	Head Teacher	Work in Progress
CYP/PRI	Valley Primary School	1	Follow Up	Head Teacher	Final Report Issued
CYP/PRI	Warren Road Primary School	1	Follow Up	Head Teacher	Final Report Issued
CYP/PRI	Wickham Common Primary School	1	Follow Up	Head Teacher	Final Report Issued

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Dept	Audit	Planned Days	Coverage	Responsible Officer	Audit Outcome/Status
CYP/SEC	Langley Park School for Boys	Unplanned	Academy Responsible Officer Officer report 1	Head Teacher	Final Report Issued
CYP/SEC	Langley Park School for Boys	Unplanned	Academy Responsible Officer Officer report 2	Head Teacher	Final Report Issued
CYP/SEC	Ravens Wood School	Unplanned	Academy Responsible Officer Officer report 1	Head Teacher	Final Report Issued
CYP/SEC	Ravens Wood School	Unplanned	Academy Responsible Officer Officer report 2	Head Teacher	Work in Progress
CYP/PRI	Biggin Hill Academy Trust	Unplanned	Academy Responsible Officer Officer report 1	Head Teacher	Work in Progress
CYP/PRI	Hayes Primary Academy	Unplanned	Academy Responsible Officer Officer report 1	Head Teacher	Work in Progress
CYP/PRI	Valley Primary Academy	Unplanned	Academy Responsible Officer Officer report 1	Head Teacher	Work in Progress

ENVIRONMENTAL SERVICES

ENV/PAR	Car parking, penalty charge notices	12	Review of procedures for collecting penalty charges and monitoring issue of PCNs (including write offs) to include follow-up of recommendations. Key Financial Controls to be covered as part of a managed audit.	AD Customer & Support Services	Work In Progress
ENV/CSS	Environmental Sustainability	10	Review of procedures for implementing environmental sustainability strategy and policies	AD Customer & Support Services	Final Report Issued
ENV/PKS	Parks and Greenspace	5	Review of contracts and procedures for maintenance of parks and greenspace. VfM	AD Streetscene & Greenspace	Work In Progress
ENV/TAH	Transport planning follow-up	2	Follow-up of recommendations	AD Transport & Highways	Work In Progress
ENV/TAH	New Street Deposits	Unplanned	Investigation into New Street Deposits	AD Transport & Highways	Final Report Issued
ENV/PKS	Parks and Greenspace	Unplanned	Investigation in ENV	AD Streetscene & Greenspace	Work In Progress

RENEWAL & RECREATION

R&R/BAE	Adult Education college	7	Yearly audit of procedures at the Adult Education college to include follow-up of recommendations	Principle Adult Education College	Work In Progress
R&R/BUC	Building Control follow-up	2	Follow-up previous recommendations	AD Planning	Final Report Issued
R&R/PLA	Land charges	5	Review of income collection. VfM	AD Planning	Final Report Issued
R&R/PTY	Property management	10	Review of property management. Key Financial Controls to be covered as part of a managed audit.	AD Property	Final Report Issued - Substantial Assurance
R&R/TCM	Town Centre Management follow-up	2	Follow-up previous recommendations	AD Culture, Libraries & Leisure	Work In Progress
R&R/PTY	Investigation	Unplanned	Investigation in R and R	Director R&R	Work in Progress

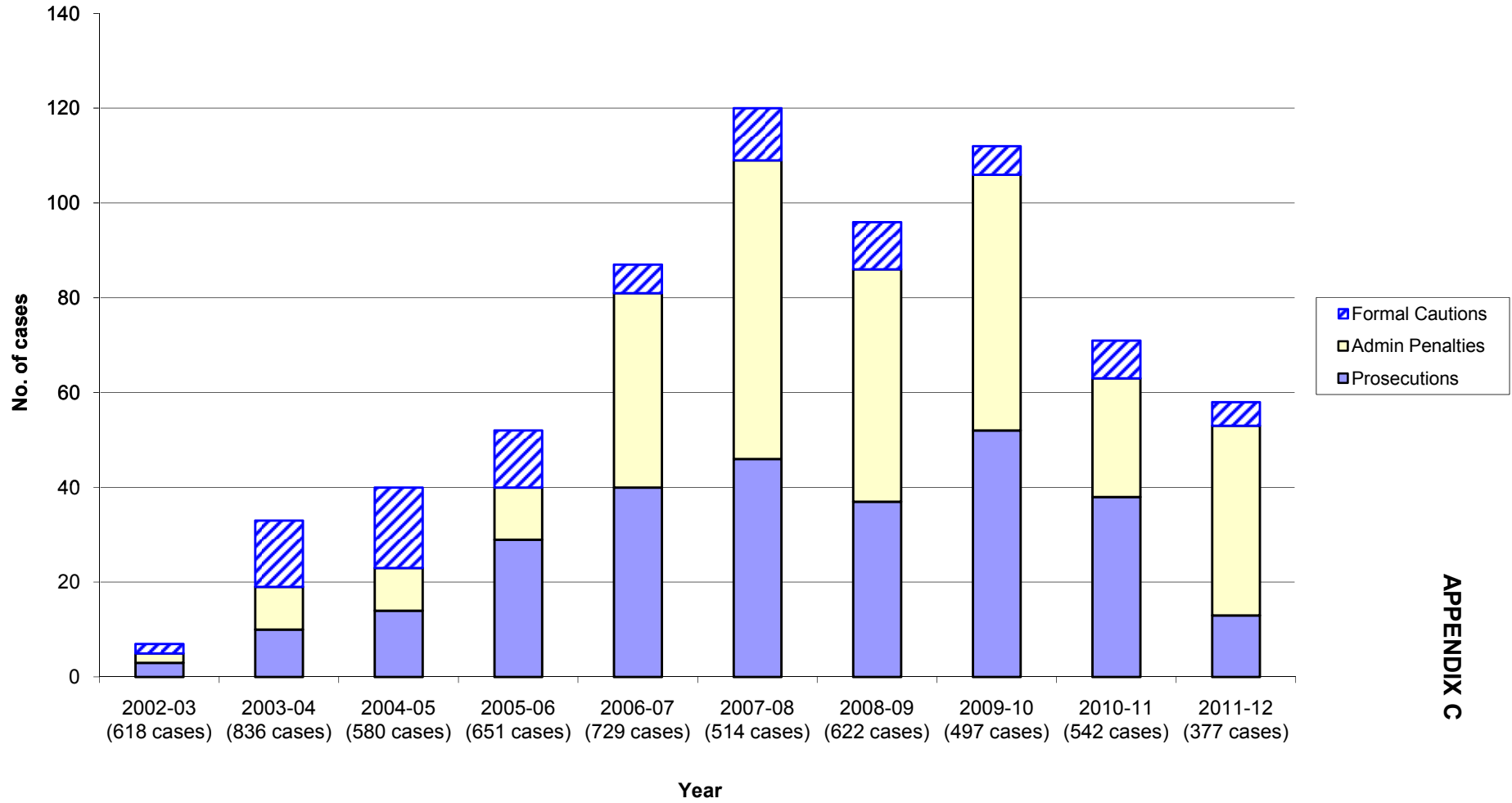
OTHER

Audit Activity 2011/12

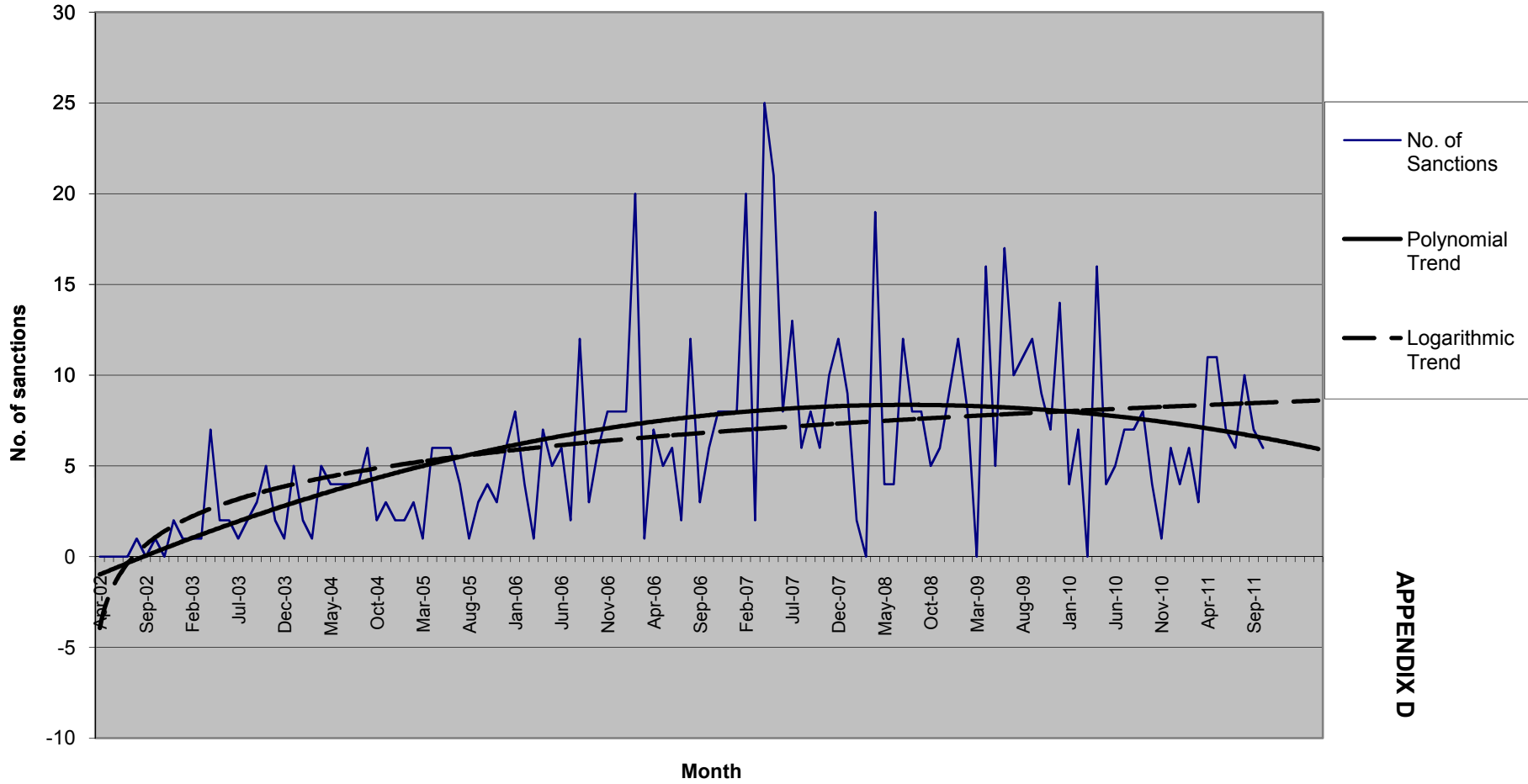
Dept	Audit	Planned Days	Coverage	Responsible Officer	Audit Outcome/Status
	Greenwich Audits			2 Audits	Final Report Issued
				1 Audit	Draft Report Issued
				4 Audits	Work in Progress

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HB Sanctions - Annual Comparison



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



APPENDIX D

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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	59	76	542
Confidential Hotline	5	10	9	9	13	15	15	10	7	7	9	17	126
Interviews	12	11	5	14	8	27	16	19	9	31	20	30	202
Claimant Visits	1	5	4		4	9	4	7		4	7	9	54
Prosecutions	6	3	3	3	6	4	3	1	5	1	3		38
Court Summonses	1	3	3	3	2	2	1	2		3	3	1	21
Admin Penalties	8	1	2	3		3	1			3	2	2	25
Formal Cautions	2			1	1	1			1		1	1	8

2011/2012	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	52	60	56	57	30	64	58						377
Confidential Hotline	23	11	11	10	4	13	15						87
Interviews	18	28	24	21	19	10	16						136
Claimant Visits	10	10	4	3			1						28
Prosecutions	4	1	2		1	3	2						13
Court Summonses		3	1	4	3		4						15
Admin Penalties	6	10	4	5	8	3	4						40
Formal Cautions	1		1	1	1	1							5

LIST OF CONSULTATION QUESTIONS AND PROPOSED RESPONSES

1. Have we identified the correct design principles? If not what other principles should be considered? Do the proposals in this document meet these design principles?

Response: The design principles do not include the audit requirements, just the mechanism for procuring and delivering the audit. It is market forces as well as the audit requirements that will determine the cost of audit.

2. Do you agree that the audit probation trusts should fall within the Comptroller and Auditor General's regime?

Response: Not relevant to this authority.

3. Do you think that the National Audit Office would be best placed to produce the Code of audit practice and the supporting guidance?

Response: Yes.

4. Do you agree that we should replicate the system for approving and controlling statutory auditors under the Companies Act 2006 for statutory local public auditors?

Response: Yes.

5. Who should be responsible for maintaining and reviewing the register of statutory local public auditors?

Response: The Financial Reporting Council as this body is independent of the National Audit Office.

6. How can we ensure that the right balance is struck between requiring audit firms eligible for statutory local public audit to have the right level of experience, while allowing new firms to enter the market?

Response: There maybe a barrier to market entry to newer or smaller firms given the voluminous and detailed guidance currently prescribed.

7. What additional criteria are required to ensure that auditors have the necessary experience to be able to undertake a robust audit of a local public body, without restricting the market?

Response: Auditors should have demonstrable experience of auditing organizations of a size comparable with the local public bodies they plan to audit, together with a full and current understanding of the accounting and reporting requirements placed on the audited body.

8. What should constitute a public interest entity (i.e. a body for which audits are directly monitored by the overall regulator) for the purposes of local audit regulation? How should these be defined?

Response: Public Interest Entities should be defined by their size and significance within the local economy and local electorate.

9. There is an argument that by their very nature all local public bodies could be categorised as 'public interest entities.' Does the overall regulator need to undertake any additional regulation or monitoring of these bodies? If so, should these bodies be categorised by the key services they perform, or by their income or expenditure? If the latter, what should the threshold be?

Response: Opportunities should be taken to reduce the level of regulation in line with the general thrust of reducing bureaucracy based on the size and significance of the entity.

10. What should the role of the regulator be in relation to any local bodies treated in a manner similar to public interest entities?

Response: Not applicable.

11. Do you think the arrangements we set out are sufficiently flexible to allow councils to cooperate and jointly appoint auditors? If not, how would you make the appointment process more flexible, whilst ensuring independence?

Response: The arrangements set out are appear flexible. However, it should be noted that setting up a joint audit committee for different local Councils may cause problems due to the lack of of a clear line of accountability from the Audit Committee to the individual Councils. In addition, conflicts of interest may make joint procurement more difficult.

12. Do you think we have identified the correct criteria to ensure the quality of independent members? If not, what criteria would you suggest?

Response: The inclusion of those other than elected members should be a local decision in the spirit of localism. There is a strong feeling that effective audit committees within the public sector can be largely formed of democratically elected members independent of the executive. The role of non-executive members already includes the detached oversight of the executive, officers and staff of the authority. In Bromley we would wish to continue with a public sector audit committee formed of (and chaired by) elected members who are independent of the executive but we would review the need for independents. Section 102(3) Local government Act 1972 precludes any one other than an elected member being appointed to a committee appointed under section 102 1 or 1A of that act or the purposes of "regulating and controlling the finances of the local authority or of their area". Secondly audit committees or sub-committees are not included in the range of bodies where co-opted members have voting rights unless one is looking at an advisory committee appointed under Section 102 (4) of the 1972 Act .Therefore if the intention is that an Audit committee should be more than an advisory committee there will be the need to amend primary legislation

13. How do we balance the requirements for independence with the need for skills and experience of independent members? Is it necessary for independent members to have financial expertise?

Response: The Chair of the Audit Committee should have good experience of financial matters. Other members of the committee should have a good understanding of the role of the committee and their role/s within it.

14. Do you think that sourcing suitable independent members will be difficult? Will remuneration be necessary and, if so, at what level?

Response: Sourcing willing members may be difficult, but finding some with suitable financial experience may be harder. Remuneration should be in line with other local arrangements for Councillors allowances (or similar).

15. Do you think that our proposals for audit committees provide the necessary safeguards to ensure the independence of the auditor appointment? If so, which of the options described in paragraph 3.9 seems most appropriate and proportionate? If not, how would you ensure independence while also ensuring a decentralised approach?

Response: Option 1 is therefore preferred.

16. Which option do you consider would strike the best balance between a localist approach and a robust role for the audit committee in ensuring independence of the auditor?

Response: The robustness of the audit committee will be determined by those on it and the activity of the chairman, rather than by the regulations. Option 1 therefore presents sufficient guidance to allow the audit committee to respond to local circumstances appropriately.

17. Are these appropriate roles and responsibilities for the Audit Committee? To what extent should the role be specified in legislation?

Response: The role should be specified as briefly and simply as possible, but with sufficient detail to allow Audit Committees in different parts of the country to have consistent Terms of Reference where possible.

18. Should the process for the appointment of an auditor be set out in a statutory code of practice or guidance? If the latter, who should produce and maintain this?

Response: The process of appointment should conform with wider procurement requirements of the audited body and should not be specified elsewhere.

19. Is this a proportionate approach to public involvement in the selection and work of auditors?

Response: Yes.

20. How can this process be adapted for bodies without elected members?

Response: Not applicable to LBB but it is felt that for bodies without elected members, greater consideration should be given to securing an independent chairman for the audit committee, and some independent members of it.

21. Which option do you consider provides a sufficient safeguard to ensure that local public bodies appoint an auditor? How would you ensure that the audited body fulfils its duty?

Response: Option 1 as specified is adequate for this purpose. The audited body would be required to publish its decisions and reasons for them and so be held accountable.

22. Should local public bodies be under a duty to inform a body when they have appointed an auditor, or only if they have failed to appoint an auditor by the required date?

Response: The appointment of an auditor should be reported to the 'overall regulatory body' when decided.

23. If notification of auditor appointment is required, which body should be notified of the auditor appointment/failure to appoint an auditor?

Response: see above.

24. Should any firm's term of appointment be limited to a maximum of two consecutive five-year periods?

Response: Yes.

25. Do the ethical standards provide sufficient safeguards for the rotation of the engagement lead and the audit team for local public bodies? If not, what additional safeguards are required?

Response: Yes

26. Do the proposals regarding the reappointment of an audit firm strike the right balance between allowing the auditor and audited body to build a relationship based on trust whilst ensuring the correct degree of independence?

Response: Reappointing Auditors on a five year basis is proportionate, however having that appointment approved by Council on an annual basis is unnecessary

27. Do you think this proposed process provides sufficient safeguard to ensure that auditors are not removed, or resign, without serious consideration, and to maintain independence and audit quality? If not, what additional safeguards should be in place?

Response: Yes.

28. Do you think the new framework should put in place similar provision as that in place in the Companies sector, to prevent auditors from seeking to limit their liability in an unreasonable way?

Response: Yes

29. Which option would provide the best balance between costs for local public bodies, a robust assessment of value for money for the local taxpayer and provides sufficient assurance and transparency to the electorate? Are there other options?

Response: Only option 1 will reduce costs. Other options may well increase or maintain costs at existing levels. It has not proved cost-beneficial to specify detailed criteria for Value for Money conclusions and ensure that they are applied consistently on a national basis. Detailed VFM specification like this would only serve as further barriers to smaller local firms entering the market.

30. Do you think local public bodies should be required to set out their performance and plans in an annual report? If so, why?

Response: An annual report is only an advantage if it reduces the overall burden of reporting currently placed on local public bodies.

31. Would an annual report be a useful basis for reporting on financial resilience, regularity and propriety, as well as value for money, provided by local public bodies?

Response: Only as part of a wider reduction in the burden of financial reporting responsibilities. Local people and central government already receive a great deal of information but not always in a format that promotes understanding.

32. Should the assurance provided by the auditor on the annual report be 'limited' or 'reasonable'?

Response: The level of assurance should be part of the specification for audit services decided on by the Audit Committee as part of its wider response to risk and risk management. It should not be specified.

33. What guidance would be required for local public bodies to produce an annual report? Who should produce and maintain the guidance?

Response: Guidance should be minimal. It should focus on the Statement of accounts or summary of the accounts, the review of activities and the future plan. More detailed guidance should not be required.

34. Do these safeguards also allow the auditor to carry out a public interest report without his independence or the quality of the public interest report being compromised?

Response: Yes.

35. Do you agree that auditors appointed to a local public body should also be able to provide additional audit-related or other services to that body?

Response: No, as this will compromise their ability to provide an independent view.

36. Have we identified the correct balance between safeguarding auditor independence and increasing competition? If not, what safeguards do you think would be appropriate?

Response: there should be no non-audit services provided.

37. Do you agree that it would be sensible for the auditor and the audit committee of the local public body to be designated prescribed persons under the Public Interest Disclosure Act? If not, who do you think would be best placed to undertake this role?

Response: No, this would not be sensible.

38. Do you agree that we should modernise the right to object to the accounts? If not, why?

Response: There is no need to modernise the right of objection to the accounts. There is, rather, a need to modernise the accounts to provide a relevant and understandable account of the financial activities of the audited body to local people.

39. Is the process set out above the most effective way for modernising the procedures for objections to accounts? If not, what system would you introduce?

Response: It is not agreed that this should be modernized.

40. Do you think it is sensible for auditors to be brought within the remit of the Freedom of Information Act to the extent of their functions as public office holders? If not, why?

Response: Yes, but only to hold the auditors to account. Enquiries on the financial affairs of the audited body should still be answered by that body.

41. What will be the impact on (i) the auditor/audited body relationship, and (ii) audit fees by bringing auditors within the remit of the Freedom of Information Act (to the extent of their functions as public office holders only)?

Response: There will be only limited impact.

42. Which option provides the most proportionate approach for smaller bodies? What could happen to the fees for smaller bodies under our proposals?

Response: Not applicable.

BROMLEY - CORPORATE RISKS - 2011

1	<p>Failure to achieve strategic BBB objectives and organisational change</p> <p>Linked risks:</p> <ol style="list-style-type: none"> 1. Departmental business and portfolio plans do not achieve desired outcomes 2. Failure to develop and implement key strategies 3. Lack of demonstrable progress on the Customer Access Programme 4. Failure to keep Local Development Framework documentation to timetable leading to planning risks in meeting BBB priorities 5. Long term future of schools <p>RESPONSIBLE OFFICER: TBA</p>
2	<p>Failure to embed effective and robust professional disciplines to drive improvement and enable good practice and consistency in delivery of change and achievement of outcomes and benefits</p> <p>Linked risks:</p> <ol style="list-style-type: none"> 1. Failure to strengthen programme and project management arrangements across the council 2. Capacity to lead projects and consequent ability to respond to change initiatives 3. Failure to embed effective performance management across the organisation 4. Failure to embed an effective risk management process throughout the council <p>RESPONSIBLE OFFICER: Chief Executive</p>
3	<p>Failure to recruit and retain qualified and experienced staff due to shortage of good quality permanent staff in key areas leading to succession planning issues, skills gap and potential deterioration of service quality</p> <p>Linked risks:</p> <ol style="list-style-type: none"> 1. Ability to recruit and retain qualified and experienced staff 2. Failure to develop and implement effective recruitment and retention strategies 3. Deterioration of service quality through loss of experienced staff as a result of age profile of workforce 4. Failure to succession plan 5. Potential future shortage of professionally qualified practitioners in key areas 6. Managing change in the workforce including organisational downsizing <p>RESPONSIBLE OFFICER: Assistant Chief Executive Human Resources</p>
4	<p>Failure of a contractor / partner / provider leading to interruption to or deterioration of service delivery</p> <p>Linked risks:</p> <ol style="list-style-type: none"> 1. Failure of a contracted provider 2. Potential for operational errors by contractors 3. Volatile markets; procurement / commissioning 4. PCT and 'health' uncertainty as a result of re-provisioning of services in London sub-regions and NHS reforms <p>RESPONSIBLE OFFICER: TBA</p>
5	<p>Failing to develop IT information systems to reliably support departmental service delivery and to promote efficiency; data collection and management information quality (including partners)</p> <p>Linked risks:</p> <ol style="list-style-type: none"> 1. Failure of key business IT systems to reliably support departmental service delivery 2. IT failure impacting on operational system (CONFIRM) / contractor liaison 3. Unavailability of UNIFORM to process planning applications 4. Information systems; established and maintained as fit for business purpose 5. Failure to ensure the confidentiality, integrity and availability of information assets <p>RESPONSIBLE OFFICER: Director Resources</p>

6	<p>Failure to implement an effective council-wide Business Continuity Plan with the result that services are severely disrupted as a consequence of:</p> <ol style="list-style-type: none"> 1. loss of premises due to explosion / fire / flood etc. 2. loss of a key business system due to power problems or system failure 3. severe weather conditions 4. other factors <p>Linked risks:</p> <ol style="list-style-type: none"> 1. Unavailability of council depots 2. Failure of CCTV system 3. Operational emergencies due to severe weather conditions, fire, major incident 4. Inadequate IT disaster recovery arrangements leading to dislocation of council services 5. Sustained industrial action affecting key service areas 6. Flu pandemic <p>RESPONSIBLE OFFICER: Director Environmental Services</p>
7	<p>Failure to produce and deliver a sustainable Financial Strategy which meets BBB priorities and failure of individual departments to meet budget</p> <p>Linked risks:</p> <ol style="list-style-type: none"> 1. Government funding and 'grant floor' 2. Effect of Comprehensive Spending Review, inflation, interest rates etc. 3. Failure to meet departmental budgets 4. Increased demand on key services resulting in overspends 5. Dependency on external grants to fund services - effect if grant ceases 6. Capital expenditure (sustainable strategy that meets council priorities; affordable and prudent) <p>RESPONSIBLE OFFICER: Finance Director</p>
8	<p>Failure to comply with legislation / statutory obligations</p> <p>Linked risks:</p> <ol style="list-style-type: none"> 1. Failure to keep up-to-date with legislative change 2. Failure to track change in legislation and policy 3. Continued change to government strategy and policies 4. Safeguarding agenda 5. Equalities agenda <p>RESPONSIBLE OFFICER: Director Resources</p>
9	<p>Failure to ensure policies and strategies are 'Fit for Future Purpose'</p> <p>Linked risks:</p> <ol style="list-style-type: none"> 1. Impact on 2020 Vision 2. Impact on local strategic partnerships 3. Impact on local jobs, businesses and town centres <p>RESPONSIBLE OFFICER: TBA</p>
10	<p>Reputational Risk (damage to an organisation through loss of its reputation or standing)</p> <p>Linked risks:</p> <ol style="list-style-type: none"> 1. Inspection regime (Value for Money and service inspectorates) and ratings - in relation to 'excellent in the eyes of local people' 2. Failure to identify and highlight frauds and weaknesses in the system of internal control 3. Failure to disseminate 'lessons learned' <p>RESPONSIBLE OFFICER: Chief Internal Auditor</p>

Agenda Item 9

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

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Agenda Item 10

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