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DATE: 5 March 2013

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
WEDNESDAY 13 MARCH 2013 AT 7.00 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 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 Thursday 7th March.

4 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 14TH NOVEMBER 2012 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION (Pages 3 - 8)

5 MATTERS ARISING (Pages 9 - 12)

6 EXTERNAL AUDIT-ANNUAL GRANT CERTIFICATION REPORT (Pages 13 - 32)

7 EXTERNAL AUDIT -ANNUAL AUDIT PLAN 2012-13 (Pages 33 - 60)

8 EXTERNAL AUDIT -ANNUAL AUDIT FEE LETTER (Pages 61 - 68)

9 INTERNAL AUDIT PROGRESS REPORT (Pages 69 - 110)

10 ANNUAL INTERNAL AUDIT PLAN 2013/14 (Pages 111 - 126)

11 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

12 EXEMPT MINUTES OF THE MEETING HELD ON 14TH NOVEMBER 2012
(Pages 127 - 134)

Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

13 INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS REPORT
(Pages 135 - 174)

Information relating to any individual.
Information relating to the financial or business affairs of any particular person (including the authority holding that information)
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 7.00 pm on 14 November 2012

Present:

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

Also Present:

Councillor Peter Fookes

13 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

An apology for absence was received from Cllr. Will Harmer.

14 DECLARATIONS OF INTEREST

Cllr. Reg Adams declared a personal interest as a governor of Churchfields Primary School.

Cllr. Ruth Bennett declared a personal interest as a governor of Princes Plain Primary School.

Cllr. Peter Fookes declared a personal interest as a governor, since 2011, of the Royston Primary School.

Cllr. Reddin declared a personal interest as he had a child at Warren Road Primary School, his wife was a governor at Hayes Primary School and he was a governor at St. Olave's School.

15 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

16 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 6TH JUNE 2012, EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

RESOLVED that the minutes of the meeting held on 6th June 2012 (excluding exempt information) be confirmed.

17 MATTERS ARISING
Report RES12186

Members considered a report on progress with matters arising from the previous meetings including three matters from the last meeting of the Sub-Committee. The Chairman advised that all three actions on the appendix to the report had been completed.

RESOLVED that the report be noted.

18 ANNUAL AUDIT LETTER 2011/12

The Sub-Committee received the Annual Audit Letter which provided a high level summary of the results of the 2011/12 audit work that had been undertaken. The Sub-Committee noted that the General Purposes and Licensing Committee had also considered the Annual Audit Letter.

RESOLVED that the report be noted.

19 INTERNAL AUDIT PROGRESS REPORT
Report CE0 1208

The Sub-Committee considered a summary of recent internal audit activity across the Council. The following matters were considered in particular:

Social Care Payments – The Head of Audit advised that he had nothing to add to this matter and it had been treated as a normal audit. However he was not sure that the list being investigated was exhaustive and he undertook to ensure that there had been no further over-payments. A decision had been made that the new Executive Director of Education and Care Services would be involved in progressing this matter to a satisfactory conclusion.

Following a question from a Member the Head of Audit undertook to check if the Christmas grant payment had been recovered.

Direct Payments – This recommendation was primarily in respect of a lack of monitoring information, mainly in the area of Children and Young People, that had not been received from clients in receipt of direct payments. The Deputy Director of Finance confirmed that controls had been put in place and returns of direct payments had to be made within 4 weeks. The CareFirst system was monitoring the repayment and direct payments would automatically be stopped if the excess payment had not been recovered.

Emergency Accommodation and Rent Arrears – The Head of Audit reported that there were still some problems with arrears. However the personal charge element had now been resolved and was being charged back to the service.

Primary School – It was noted that there had been poor record keeping at the school in question and the school had been notified of this weakness.

Audit Activity – In relation to academies, the Head of Audit reported that a total of twelve academies (primary and secondary schools) had requested the services of the Council as responsible officers. It was noted that new requirements on academies required that the responsible officer could only be a non-paying Governor of the Academy Trust.

Housing Benefit Update – The Head of Audit advised that the Single Fraud Integrated Service (SFIS) timetable process had been delayed until April 2014.

Future of Public Audit – The report advised that following a decision to disband the Audit Commission, the draft Bill set out the Government's vision for a new local audit framework where bodies would be able to appointment their own auditors from an open and competitive market, on the advice of an independent auditor panel.

Appendix E (page 40) – The Head of Audit advised that the drop in numbers of cases was a distortion caused by NFI.

Appendix B – Waivers – Following a question about the entry for Special Educational Needs and Disability Services a waiver of £247,014 for therapy provision within schools, the Portfolio Holder for Education explained that this was due to the contract being extended for one year.

In relation to an Renewal and Recreation entry for Health and Safety (£870,000) for occupational health services, the Finance Director advised that this was Section 106 monies which the Council had 5 years to spend. This was a way of retaining the monies with the Council and the spend would be subject to the Council's conditions being met.

Cumulative Spend—The Head of Audit advised that, following a request from the Finance Director to audit the cumulative spend report, this audit had been completed. Internal Audit had examined any expenditure with a three year cumulative spend of £200k to verify if there were supporting contracts, SLAs or waivers. The Internal Audit report concluded that there were a number of cases that needed to be examined further by management in ECS and Procurement.

RESOLVED that:

- (a) the report be noted;**
- (b) the Priority One Recommendations be noted;**
- (c) waivers issued over the period February 2012 to September 2012 be noted;**
- (d) the continuing achievements of the counter fraud benefit partnership with the London Borough of Bromley be noted; and**
- (e) the cumulative spend exercise outcome be noted.**

20 OFFICE ACCOMMODATION STRATEGY
Report RES12187

At a meeting of the Executive held on 12th September 2012 a report was considered on the refurbishment of the North Block requesting a supplementary capital allocation of £400,000 to ensure successful completion of the project. The report had been scrutinised by the Executive and Resources Policy Development and Scrutiny Committee on 6th September 2012.

The Head of Internal Audit reported that there were lessons to be learned from the overspend on this capital project. The report listed a number of failings from lack of effective project management, reporting requirements not adhered to, the budget being wrong from the start of the tender process. The budget had been set and the responses to the tender process had quoted amounts far above the budget allocation. This should have been addressed at the time. Five tenders had been accepted that had been difficult to monitor and had not been managed in a cohesive and efficient way and suppliers had not been working in unison which caused delays in the project.

The Director of Renewal and Recreation admitted that there had been lessons to be learned from this project. He advised that new protocols had been introduced which included assigning a lead officer with the correct skills set and training to manage a project, a detailed breakdown of the cost of a project before agreeing any contracts, no splitting of contracts without the agreement of the Director and the Portfolio Holder and tender outcomes to be reported to the Renewal and Recreation PDS Committee. There would also be quarterly reports to the Executive and the Departmental Management Team. He felt that the Department must tighten up on what had caused the failures in this project.

Many of the Sub-Committee reported that they had not had confidence in the lead officer for this project. Also, many basic issues had been forgotten in the planning of the project such as paying for furniture disposal and archiving. The question was asked whether the Council had the skills to manage this kind of project or should the Council employ specialist consultants.

In response to a question from a Member, the Director of Renewal and Recreation responded that a significant amount of old furniture had been used in the project together with new furniture. In hindsight, the Director admitted that the officer should have been monitored more closely and the officer's previous experience had not been scrutinised before the task was allocated to him.

RESOLVED that the report be noted.

**21 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.

**22 EXEMPT MINUTES OF THE MEETING HELD ON 6TH JUNE
2012**

The Exempt minutes of the meeting held on 6th June 2012 were confirmed.

**23 INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS
REPORT**

The Sub-Committee received the Internal Audit Fraud and Investigation Progress report.

24 COMPROMISE AGREEMENTS

A report was tabled with properly redacted details of compromise agreements.

The Meeting ended at 11.30 pm

Chairman

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Agenda Item 5

Report No.
RES13050

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **13th March 2013**

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

Title: **MATTERS ARISING**

Contact Officer: Graham Walton, Democratic Services Manager
Tel: 0208 461 7743 E-mail: graham.walton@bromley.gov.uk

Chief Officer: Mark Bowen, Director of Resources

Ward: n/a

1. Reason for report

1.1 To update the Sub-Committee on progress with matters arising from previous meetings. Three matters from the last meeting are covered – two of these relate to part 2 matters and details are in the part 2 report.

2. **RECOMMENDATION(S)**

To note progress on matters outstanding from previous meetings.

Corporate Policy

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

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Democratic Services
 4. Total current budget for this head: £320,320
 5. Source of funding: 2012/13 Revenue Budget
-

Staff

1. Number of staff (current and additional): There are 8 members of staff (7.22fte) in the Democratic Services Team
 2. If from existing staff resources, number of staff hours: Monitoring the matters arising takes a few hours between meetings.
-

Legal

1. Legal Requirement: None:
 2. Call-in: 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 members of the Sub-Committee.
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not applicable

3. COMMENTARY

- 3.1 Attached is a schedule of matters outstanding from previous meetings of the Audit Sub-Committee with a note of progress made. Most of these issues are taken up in more detail in the progress reports on this agenda (parts 1 and 2). Once an outstanding matter has been completed it will be removed from the schedule.

Non-Applicable Sections:	Policy/Financial/Legal/Personnel
Background Documents: (Access via Contact Officer)	Previous minutes of Audit Sub-Committee

Appendix 1

Issue & Date	Summary	Action being taken ...	By	Estimated Completion
Internal Audit Progress Report Minute 19 14 th November 2012	Head of Audit to check that the Christmas grant payment had been recovered. (Report para. 3.14)	See progress report. This particular debt is with the debt collector.	Head of Internal Audit	November 2012
Internal Audit Fraud and Investigation Progress Report (Part 2) Minute 23/1 14 th November 2012	Various matters related to – (i) The Behaviour Service (ii) Primary School	See current part 2 report	Head of Internal Audit	March 2013

Agenda Item 6

Report No.
CEO1217

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 13 March 2013**

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

Title: **EXTERNAL AUDIT-ANNUAL GRANT CERTIFICATION REPORT**

Contact Officer: Luis Remedios, Head of Audit
Tel: 020 8313 4886 E-mail: luis.remedios@bromley.gov.uk

Chief Officer: Chief Executive

Ward: (All Wards);

1. Reason for report

This report is submitted to inform members of the findings of the External Auditor's report on the annual grant certification for 2011/12.

2. **RECOMMENDATION(S)**

Members are asked to note and comment on the report.

Corporate Policy

1. Policy Status: Not Applicable:
 2. BBB Priority: Excellent Council:
-

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Recurring Cost:
 3. Budget head/performance centre: External Audit
 4. Total current budget for this head: £217K
 5. Source of funding: LBB funding
-

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:
 2. Call-in: Not Applicable:
-

Customer Impact

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

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not applicable

3. COMMENTARY

Members are asked to note and comment on the attached report from our External Auditors covering their findings of the annual certification of Housing and Council Tax Benefits, National Non Domestic Rates Return and the Teachers Pension Return.

4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

The audit fee for this work is £38,750.

6. LEGAL IMPLICATIONS

None

7. PERSONNEL IMPLICATIONS

None

Non-Applicable Sections:	Legal and Personnel
Background Documents: (Access via Contact Officer)	[Title of document and date]

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Annual Certification Report to those charged with governance 2011/12

London Borough of Bromley

*Government and
Public Sector –
Annual Certification
Report to those
charged with
governance*

March 2013

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The Members of the Audit Sub-Committee
London Borough of Bromley
Civic Centre
Stockwell Close
Bromley
BR1 3UH

13 March 2013

Ladies and Gentlemen

Annual Certification Report (2011/12)

We are pleased to present our Annual Certification Report which provides members of the Audit Sub-Committee with a high level overview of the results of certification work we have undertaken at the London Borough of Bromley in 2011/12.

We have also summarised our fees for 2011/12 certification work in Appendix A.

Results of Certification work

For the period ended 31 March 2012 we certified three claims and returns worth a final net total of £228,644,531.05. Of these, none were amended following certification work undertaken and one required a qualification letter to set out matters arising from the certification of the claim or return. We set out further details in the attached report.

We identified a number of matters relating to the Authority's arrangements for preparation of claims and returns during the course of our work, some of which were of a minor nature. The most important of these matters have been brought to your attention in this report.

We ask the Audit Sub-Committee to consider:

- the adequacy of the proposed management action plan for 2011/12 set out in Appendix B, and;
- the adequacy of progress made in implementing the prior year action plan in Appendix C.

Yours faithfully,

PricewaterhouseCoopers LLP

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Introduction

Scope of work

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

The Audit Commission is required by law to make certification arrangements for grant-paying bodies when requested to do so and sets thresholds for claim and return certification, as well as the prescribed tests which we as local government appointed auditors must undertake. We certify claims and returns as they arise throughout the year to meet the certified claim/return submission deadlines set by grant-paying bodies. Our role is to act as ‘agents’ of the Audit Commission when undertaking certification work; certification work is not an audit but a different form of assurance engagement, the precise nature of which will vary according to the claim or return; we are required to carry out work and complete the auditor certificate in accordance with the arrangements and requirements set by the Commission.

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

Statement of Responsibilities of Grant-Paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns

In November 2010 the Audit Commission updated the ‘Statement of Responsibilities of Grant-Paying Bodies, Authorities, the Audit Commission and Appointed Auditors in Relation to Claims and Returns’. This is available from the Audit Commission’s website. The purpose of this Statement is to summarise the Audit Commission’s framework for making certification arrangements and to assist grant-paying bodies, authorities, and the Audit Commission’s appointed auditors by summarising their respective responsibilities and explaining where their different responsibilities begin and end.

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

In March 2010 the Audit Commission issued a revised version of the ‘Statement of Responsibilities of Auditors and of Audited Bodies’. It is available from the Chief Executive of each audited body and on the Audit Commission’s website. The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. 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.

Results of Certification Work

Results of Certification Work

Claims and returns certified

A summary of the claims and returns certified during the year is set out below:

- in one case, a qualification letter was required to set out matters arising from the certification of the claim/return;
- none of the claims/returns were amended following the certification work undertaken;
- all deadlines for submission of certified claims/returns were met, and;
- fee information for the claims and returns is summarised in Appendix A.

Claims and returns certified in 2011/12

CI Reference	Scheme Title	Form	Original Value (£)	Final Value (£)	Amendment	Qualification
BEN01	Housing and Council Tax Benefits Scheme	MPF720A	138,473,916.00	138,473,916.00	No	Yes
LA01	National Non Domestic Rates Return	NNDR3	79,040,772.66	79,040,772.66	No	No
PEN05	Teacher's Pension Return	TR17	11,129,842.39	11,129,842.39	No	No

Matters arising

The most important matters we identified through our certification work are summarised below. Further detail can be found in Appendix B.

Housing and Council Tax Benefits Scheme 2011/12

Our testing identified a number of errors in relation to the Authority's compliance with Housing and Council Tax Benefit regulations. We reported a number of matters to the DWP in a qualification letter where no amendment was proposed as the two underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes. This is because there is no eligibility to subsidy for benefit which has not been paid.

In summary, the matters related to ensuring that the correct:

- system parameters are applied;
- rent rate is used considering property location, and;
- calculation of earned income is included in benefit calculations.

All of these error types have not been identified in previous years.

Prior year recommendations

We have reviewed progress made in implementing the certification action plan for 2010/11. Details can be found in Appendix C.

Appendices

Appendix A

Certification Fees

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

Claim/Return	2011/12 (£)	2010/11 (£)	Comment
BEN01 Housing and Council Tax Benefits Scheme	27,500	27,500	
LA01 National Non Domestic Return (NNDR)	6,250	6,250	
PEN05 Teacher's Pension Return	5,000	5,000	
EYCo2 Sure Start, Early Years and Childcare Grant	-	3,000	The Audit Commission did not require the claim to be certified during 2011/12
HOU21 Disabled Facilities	-	3,500	The Audit Commission did not require the claim to be certified during 2011/12
Total	38,750	45,250	

These fees reflect the Authority's current performance and arrangements for certification, and are the finalised figures.

Prior to the commencement of 2011/12 certification work we discussed with the Authority the ways in which we can help to improve the level of communication around issues we experience in the completion of our certification work, issues which may impact ultimately impact on certification fees.

We will continue to seek ways in which we can improve the overall level of liaison with senior officers regarding the progress of certification work, time and issues.

At the same time, we welcome closer scrutiny by officers of any certification claims submitted to us for review and continued efforts to ensure that the quality of evidence available to support claims/returns is appropriate. The Authority's performance may also be improved by ensuring prior year qualification issues are reviewed and controls assessed to mitigate against similar errors occurring in future periods.

The Authority can continue to improve its performance by:

- reviewing the final claim / return against supporting working papers to ensure there are no discrepancies;
- reviewing guidance issued by the grant paying body in relation to the claim / return and completion; and
- ensuring the adequacy of evidence to support the claim / return entries.

Appendix B

2011/12 Management Action Plan

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
BEN01 Housing & Council Tax Benefit Scheme (30/11/12)	<p>As part of our certification work, we were required to complete a checklist to ensure the Authority's housing and benefit system is using the correct benefit parameters to calculate benefit entitlement and to claim subsidy.</p> <p>Upon review, it was noted a non-dependent deduction for "gross income not less than £122.00 but less than £180.00" was incorrectly set-up on the Authority's housing and benefit system. It have should been stated £21.55 but had been input as £21.59.</p> <p>The Authority performed an exercise to interrogate the benefits system and confirmed the total value of the issue was an underpayment was £175.55. We reviewed this exercise and did not identify any further errors.</p> <p>No adjustment was made to the claim form as no benefit was awarded. This is because there is no eligibility to subsidy for benefit which has not been paid.</p> <p>This finding resulted in a qualification letter being issued alongside the 2011/12 return.</p>	<p>The Authority should ensure that the correct system parameters are applied and up-rated for each financial year.</p> <p>It is recommended that the 2012/13 parameters are reviewed to ensure they have been correctly up-rated.</p>	<p>The parameters used for 2012/13 have been checked and are correct.</p> <p>This is now complete.</p>	Jayne Carpenter
BEN01	Testing of the initial sample for Rent rebates (Tenants of Non-HRA	The Authority should ensure that the correct rent rate is used considering	The Department who is responsible for inputting the rents figures has been advised	Jayne Carpenter

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
Housing & Council Tax Benefit Scheme (30/11/12)	<p>Properties) identified:</p> <ul style="list-style-type: none"> 1 case where benefit had been underpaid as a result of processing delays in updating the rental cost; and 1 case where benefit had been underpaid as a result of the Authority miscalculating the claimant's average weekly income. <p>No adjustment was made to the claim form as no benefit was awarded. This is because there is no eligibility to subsidy for benefit which has not been paid.</p> <p>This finding resulted in a qualification letter being issued alongside the 2011/12 return.</p>	<p>where the property is located.</p> <p>The Authority should ensure that the correct earned income is calculated.</p>	<p>and is being monitored.</p> <p>Checking of the income used in benefit calculations is part of the daily accuracy monitoring that is undertaken by the Benefit Monitoring Team.</p>	
PEN05 Teacher's Pension Return (30/11/12)	<p>Testing of the Teacher's Pension Return noted two issues:</p> <ol style="list-style-type: none"> The Schools Finance team were unable to confirm the date a school converted to an Academy, as they did not obtain and keep any evidence. Therefore, there could be a risk regarding the completeness of the return. For one school it was noted that during the financial year 2011/12 it came off the Authority's payroll system in order to establish its own payroll service. <p>However, the Schools Finance Team was not formally informed as no documentation is retained to confirm when a school comes off the Authority's payroll system.</p>	<p>The Schools Finance team should ensure that a transfer agreement signed between the Authority and the Education Funding Agency is obtained and retained on file.</p> <p>In addition, the Schools Finance team should be in regular contact with the Authority's payroll provider to confirm which schools are still on the Authority's payroll function.</p>	<p>The Schools Finance Team will endeavour to obtain the necessary documentation to confirm the date of academy conversion for each school. However, it should be noted that of there are particular issues to be resolved, the transfer agreement is sometimes not signed until several months after the date of conversion.</p> <p>The Schools Finance Team works very closely with the LA's payroll provider and will be able to provide full details of which schools use this system.</p>	Mandy Russell

Appendix C

2010/11 Management Action Plan – Progress made

Claim/Return (deadline)	Issue	Recommendation	Recommendation Status
BEN 01 Housing & Council Tax Benefit Scheme (30/11/11)	<p>During our testing we identified one occasion where the Authority made a payment for Non-HRA housing benefits for one claimant in duplicate. An error caused an individual to be paid twice for the period 01 November 2010 to 08 November 2010. This resulted in an overpayment of £207.90.</p> <p>This was caused by the introduction of a new interface between Academy Benefits and the Authority's Anite rents system in November 2010.</p> <p>This was not adjusted in the 2010/11 claim form. The Authority that an LA error overpayment will be created and recorded in the subsidy claim 2011/12 reducing the amount of subsidy claimed for the error noted."</p> <p>This resulted in a qualification letter being issued alongside the 2010/11 return.</p>	The Authority should ensure there are sufficient controls in place to review calculations, particularly with regard to changes in systems and interfaces.	<p>Our testing of the Housing & Council Tax Benefit Scheme identified no errors with regard specifically to duplicate payments.</p> <p>Our testing of for Rent rebates (Tenants of Non-HRA Properties) in 2011/12 identified two instances of underpayments due to incorrect calculations.</p> <p>This was not adjusted in the 2011/12 claim on account of how there is no eligibility to subsidy for benefit which has not been paid. However, a qualification letter was issued.</p>

Glossary

Audit Commission Definitions for Certification work

Abbreviations used in certification work are:-

'appointed auditor' is the auditor appointed by the Audit Commission under section 3 of the Audit Commission Act 1998 to audit an authority's accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission's certification instruction arrangements;

'assurance engagement' is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;

'auditor' is a person carrying out the detailed checking of claims and returns on behalf of the appointed auditor, in accordance with the Commission's and appointed auditor's scheme of delegation;

'authorities' means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;

'certification instructions' ('CIs') are written instructions from the Commission to appointed auditors on the certification of claims and returns;

'certify' means the completion of the certificate on a claim or return by the appointed auditor in accordance with arrangements made by the Commission;

'claims' includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;

'Commission' refers to either the Audit Commission or the Grants Team of the Audit Policy and Regulation Directorate of the Commission which is responsible for making certification arrangements and for all liaison with grant-paying bodies and auditors on certification issues;

'grant-paying bodies' includes government departments, public authorities, directorates and related agencies, requiring authorities to complete claims and returns;

'returns' are either:

- returns in respect of grant which do not constitute a claim, for example, statements of expenditure from which the grant-paying body may determine grant entitlement; or
- returns other than those in respect of grant, which must or may be certified by the appointed auditor, or under arrangements made by the Commission;

'Statement' is the *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, available from www.audit-commission.gov.uk;

'underlying records' are the accounts, data and other working papers supporting entries on a claim or return.



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Agenda Item 7

Report No.
CEO1216

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 13 March 2013**

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

Title: **EXTERNAL AUDIT -ANNUAL AUDIT PLAN 2012-13**

Contact Officer: Luis Remedios, Head of Audit
Tel: 020 8313 4886 E-mail: luis.remedios@bromley.gov.uk

Chief Officer: Chief Executive

Ward: (All Wards);

1. Reason for report

Review of the External Auditors' annual plan arrangements for 2012-13

2. **RECOMMENDATION(S)**

Members are asked to note the External Auditor's arrangements for the Annual Audit Plan 2012-13 and to approve the proposed de-minimus level of £500,000 for reporting of differences and misstatements to committee.

Corporate Policy

1. Policy Status: Not Applicable
 2. BBB Priority: Excellent Council:
-

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Recurring Cost:
 3. Budget head/performance centre: £200K
 4. Total current budget for this head: £200K
 5. Source of funding: Fee funded by LB Bromley
-

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:
 2. Call-in: Not Applicable:
-

Customer Impact

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

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Members are asked to note the External Auditor's report on their arrangements for the Annual Audit Plan 2012-13 and also approve the proposed de-minimus level for reporting differences and misstatements to committee.

4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

There is a cost element in auditing the accounts for 2012-13. The total fee is likely to be £200,418.

6. LEGAL IMPLICATIONS

There is a legal requirement to externally audit the accounts and report back to the Audit Commission.

7. PERSONNEL IMPLICATIONS

None

Non-Applicable Sections:	Personnel
Background Documents: (Access via Contact Officer)	[Title of document and date]

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London Borough of Bromley

External Audit Plan 2012/13

Government and Public
Sector

March 2013



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

13 March 2013

Ladies and Gentlemen,

We are pleased to present to you our 2012/13 external audit plan, which includes an analysis of our assessment of significant audit risk, our proposed audit strategy, our audit and reporting timetable and other matters. Discussion of our strategy with you enables us to understand your views of risks and to agree on mutual needs and expectations so that we provide you with a high quality service.

If you would like to discuss any aspect of our Audit Plan please do not hesitate to contact either Janet Dawson on 0207 213 5244 or Matthew Williams 020 7212 5290.

We look forward to presenting our audit plan to you at the Audit Sub-Committee meeting on 13 March 2013.

Yours faithfully,

PricewaterhouseCoopers LLP

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

Introduction

The purpose of this plan

This plan:

- is required by International Standards on Auditing (ISAs);
- sets out our responsibilities as external auditor under the Audit Commission's requirements;
- gives you the opportunity to comment on our proposed audit approach and scope for the 2012/13 audit;
- records our assessment of audit risks, including fraud, and how we intend to respond to them;
- tells you about our team; and
- provides an estimate of our fees.

We ask the Audit Sub-Committee to:

- consider our proposed scope and confirm that you are comfortable with the audit risks and approach;
- approve our proposed de minimis level reporting level;
- consider and respond to the matters relating to fraud; and
- approve our proposed audit fees for the year.

Our work in 2012/13

We will:

- audit the annual report and statutory financial statements, assessing whether they provide a true and fair view;
- check compliance with International Financial Reporting Standards (IFRS);
- check compliance with the code of practice on local authority accounting;
- consider whether the disclosures in the Annual Report are complete;
- see whether the other information in the financial statements is consistent with the financial statements;
- report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- tell you promptly when we find anything significant during the audit, directly to management and as soon as practicable to the Audit Sub-Committee throughout the year.

Additional procedures for the National Audit Office (NAO)

Last year, the NAO issued procedures via the Audit Commission in respect of us undertaking specific audit procedures in order to provide them with additional assurance over the amounts recorded in the Whole of Government Accounts (WGA) schedules. For this year we again expect to receive similar procedures.

We will seek to comply with them and to report to the NAO in accordance with their requirements. In the unlikely event that we cannot comply with aspects of the instructions, we will raise the issue with the Audit Commission.

Risk assessment

We considered the London Borough of Bromley's operations and assessed:

- business and audit risks that need to be addressed by our audit;
- how your control procedures mitigate these risks; and
- the extent of our financial statements and value for money work as a result.

Our risk assessment shows:

- those risks which are significant, and which therefore require special audit attention under auditing standards; and
- our response to significant and other risks, including reliance on internal and other auditors, and review agencies.

Responsibilities

Officers and members of each local authority are accountable for the stewardship of public funds. It is our responsibility to carry out an audit in accordance with the Audit Commission's Code of Audit Practice ("the Code"), supplemented by the Statement of Responsibilities of Auditors and of Audited Bodies. Both documents are available from the Chief Executive or the Audit Commission's website.

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

Risk assessment

Risk assessment results

Our risk assessment forms the basis for planning and guiding all subsequent audit activities. It allows us to determine where our audit effort should be focused and whether we can place reliance on the effective operation of controls implemented by management. Risks are categorised as follows:

-
- | | | |
|---|--------------------|--|
| ● | <i>Significant</i> | Risk of material misstatement due to the likelihood, nature and magnitude of the balance or transaction. These require specific focus in the year. |
| ● | <i>Elevated</i> | Although not considered significant, the nature of the balance/area requires specific consideration. |
| ● | <i>Normal</i> | We perform standard audit procedures to address normal risks in all other material financial statement line items. |
-

Financial statements risks

Risk	Significant risk	Reason for risk identification	Audit approach
<p>Fraud and management override of controls</p>	<ul style="list-style-type: none"> ● Significant 	<p>In any organisation, management may be in a position to override the financial controls that are in place. A control breach of this nature may result in a material misstatement.</p> <p>For all of our audits, we are required in accordance with ISA (UK&I), to consider this significant risk and adapt our audit procedures accordingly.</p> <p>Areas that are susceptible to management override include those involving complex transactions, those involving management judgement and estimates, and journals that are manual rather than automated.</p>	<p>We will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries, and utilise computer assisted audit techniques (CAATs) to do this; • understand and evaluate internal control processes and procedures as part of the planning work; • review accounting estimates for biases and evaluate whether circumstances producing any bias, represent a risk of material misstatement due to fraud; • evaluate the business rationale underlying significant transactions; and • perform other audit procedures if necessary. <p>In addition, our audit procedures are also planned to include an unpredictable element that varies year on year.</p>
<p>Recognition of income and expenditure</p>	<ul style="list-style-type: none"> ● Significant 	<p>Under ISA (UK&I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition.</p> <p>We extend this presumption to the recognition of expenditure in Local Government.</p> <p>We will consider income and expenditure streams on an individual basis and focus our work on those streams most susceptible to incorrect recognition in the financial statements.</p> <p>For income, we would expect the areas of grants, and sales, fees and charges to be the main areas of focus for our audit of the Authority.</p> <p>For expenditure, we would expect the area of non-payroll expenditure for services to be the main area of focus.</p>	<p>We will:</p> <ul style="list-style-type: none"> • obtain an understanding of revenue and expenditure controls; • evaluate the accounting policies for income and expenditure recognition to ensure this is consistent with the requirements of the Code; • perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk; and • review accounting estimates for income and expenditure, for example, provisions.

<p>Valuation of investment properties</p>	<ul style="list-style-type: none"> ● Significant 	<p>Investment properties represent a significant balance on the Authority's Balance Sheet.</p> <p>The Authority measures its properties at fair value involving a range of assumptions and the use of external valuation expertise</p> <p>ISAs (UK&I) 500 and 540 require us to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.</p> <p>Specific areas of risk include:</p> <ul style="list-style-type: none"> ● the accuracy and completeness of detailed information on assets; ● whether the Authority's assumptions underlying the classification of properties are appropriate; and ● the valuer's methodology, assumptions and underlying data, and our access to these. 	<p>We will:</p> <ul style="list-style-type: none"> ● agree the source data used by your valuer to supporting records; ● assess the work of your Valuer through use of our own internal valuation experts; and ● agree the outputs to your Fixed Asset Register and financial statements. <p>Where assets are not re-valued in year, we will review your impairment assessment, and evaluate whether your assets are held at an appropriate value in your financial statements at the year-end.</p>
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Other Audit Code responsibilities risks

Risk	Elevated risk	Reason for risk identification	Audit approach
<p>Medium Term Financial Strategy – savings plans</p>	<ul style="list-style-type: none"> Elevated 	<p>Auditors should consider the risk that failure to set a realistic Medium Term Financial Strategy and achieve its savings plan may indicate that the Authority is unable to demonstrate that it is financially resilient.</p> <p>The Authority continues to experience increased pressures on all its budgets in the current economic climate and savings required to be made in the current and future years.</p> <p>Budget holders may feel under pressure to try and push costs in to future periods, or to miscode expenditure to make use of resources intended for different purposes.</p> <p>There is a risk that savings plans may not be robust and the Authority is unable to demonstrate that it has achieved value for money in its use of resources.</p>	<p>We will:</p> <ul style="list-style-type: none"> review the Authority's budget monitoring process to identify any areas of concern. We will also bear these risks in mind when carrying out cut-off testing; and consider the accounting implications of any savings plans and would welcome early discussion of any new and unusual proposals. In particular, we will consider the impact of the efficiency challenge on the recognition of both income and expenditure. <p>From your Medium Term Financial Strategy, we will review:</p> <ul style="list-style-type: none"> how you have managed your 2012/13 savings programme; your arrangements to review the value for money which your services provide; and the adequacy of your planned level of reserves and contingencies against your stated policy and the level of future risk in delivering the Medium Term Financial Strategy.

Audit approach

Code of Audit Practice

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

- Financial statements, including a review of the Annual Governance Statement; and
- Value for money.

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

Financial statements

Our audit of your financial statements is carried out in accordance with the Audit Commission's Code objective, which requires us to comply with International Standards on Auditing (ISAs) (UK & Ireland) issued by the Auditing Practices Board (APB). We are required to comply with them for the audit of your 2012/13 financial statements.

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

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

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

Materiality

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

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

Materiality is another factor which helps us to determine our audit approach. Materiality is more than just a quantitative concept. Judgements about materiality are subjective and may change during the course of the engagement. The judgements about materiality are often implicit, and will be reflected in our assessments of risk and our decisions about which business units or locations, account balances, disclosures and other items are of greater or lesser significance.

We identify and assess the risks of material misstatement at two levels: the overall financial statement level; and in relation to financial statement assertions for classes of transactions, account balances and disclosures.

ISAs require us to keep a record of identified misstatements in order to assess their impact on the financial statements both individually and in aggregate. In order to avoid the need to record difference which are clearly trivial, individually or in aggregate, to the financial statements as a whole we propose a de minimis level of £500,000 for formal reporting to the Committee. If any differences above this limit are not adjusted we ask the Committee to explain the reason in the letter of representation.

We may still bring smaller misstatements to your attention if they are associated with control deficiencies identified or if there is any indication of possible financial loss to the Fund.

Value for Money

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

In accordance with recent guidance issued by the Audit Commission, in 2012/13 our conclusion will be based on two criteria:

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

We will be carrying out sufficient work to allow us to reach a conclusion on your arrangements based on your circumstances.

Internal Audit

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

We meet regularly with the Head of Internal Audit to discuss the annual internal audit plan and the work that has been performed. Where internal audit reviews performed relate to financial controls (such as Key Financial Systems) we seek to place reliance on those reviews if appropriate. Where reviews undertaken are focused on operational and business controls (such as development, rents and procurement) we use these reviews to inform our risk assessment procedures which helps with our understanding of the Authority and to tailor our audit approach accordingly.

Local government pension fund

We have prepared a separate audit plan for work on the pension fund. This and other matters relating to the pension fund audit were presented to the Pensions Investment Sub-Committee on 12 February 2013, as well as to the officers and Members of the Authority.

Risk of fraud

International Standards on Auditing (UK&I) state that we as auditors are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management's responsibility

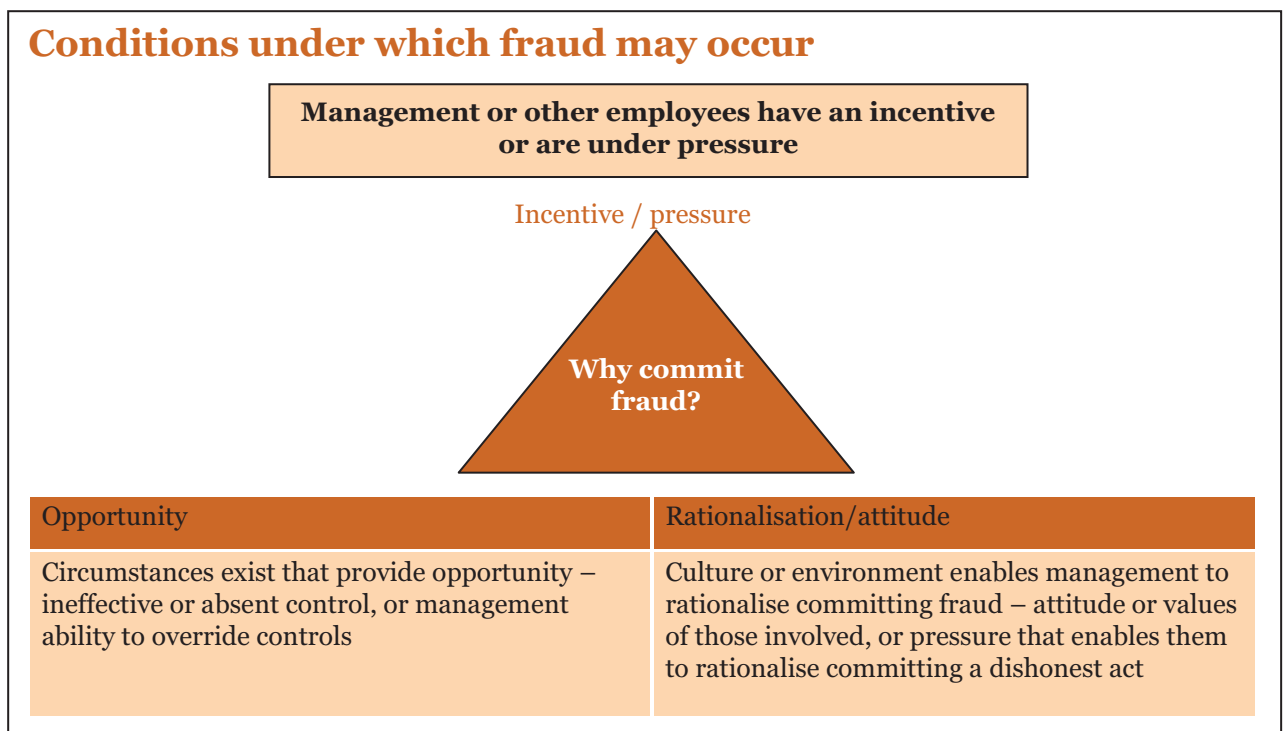
Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Responsibility of the Audit Sub-Committee

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of antifraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.



Your views on fraud

We would like to discuss with the Audit Sub-Committee:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

If any cases of fraud, either actual, suspected or alleged, come to the attention of the Committee members, we should be informed so that we can perform appropriate procedures.

Your team and independence

Your audit team has been drawn from our government and public sector team based in London. Your audit team consists of the key members listed below, but is further supported by our specialists both in the sector, and across other services:

<i>Audit team</i>	<i>Responsibilities</i>
<p>Janet Dawson <i>Engagement Leader</i> 0207 213 5244 janet.r.dawson@uk.pwc.com</p>	<p>Janet is responsible for independently delivering the audit in line with the Code of Audit Practice, including agreeing the Audit Plan, ISA (UK&I) 260 report and Annual Audit Letter, the quality of outputs and signing of opinions and conclusions. Also responsible for liaison with the Chief Executive and Members.</p>
<p>Katy Elstrup <i>Engagement Senior Manager</i> 0207 213 3070 katy.elstrup@uk.pwc.com</p>	<p>Katy is responsible for overall control of the audit engagement, ensuring delivery to timetable, delivery and management of targeted work and overall review of audit outputs. Completion of the Audit Plan, ISA (UK&I) 260 report and Annual Audit Letter.</p>
<p>Matthew Williams <i>Engagement Manager</i> 020 7212 5290 matthew.w.williams@uk.pwc.com</p>	<p>Matthew is responsible for the management and control of the external audit service, and for ensuring that our approach is focused on significant risk areas and reporting significant findings from our work.</p>
<p>Charles Martin <i>Engagement Assistant Manager</i> 07732 864 432 charles.martin@uk.pwc.com</p>	<p>Charlie will work closely with Matthew in the management and control of the external audit service. Also, Charlie is responsible for managing the audit team and liaison with finance staff on the scope and timing of our work.</p>
<p>Jennifer Ledger-Lomas <i>Team Leader</i> 07725 590 781 jennifer.ledger-lomas@uk.pwc.com</p>	<p>Jen is responsible for leading our audit team on site during the interim and final audit fieldwork visits, for coaching and briefing our staff and for carrying out audit work in complex areas.</p>

Our team members

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

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

Independence and objectivity

As external auditors of the Authority we are required to be independent of the Authority in accordance with the Ethical Standards established by the Auditing Practices Board (APB). These standards require that we disclose to those charged with governance all relationships that, in our professional judgement, may reasonably be thought to bear on our independence.

We have a demanding approach to quality assurance which is supported by a comprehensive programme of internal quality control reviews in all offices in the UK. Our quality control procedures are designed to ensure that we meet the requirements of our clients and also the regulators and the appropriate auditing standards within the markets that we operate. We also place great emphasis on obtaining regular formal and informal feedback.

We have made enquiries of all PricewaterhouseCoopers' teams providing services to you and of those responsible in the UK Firm for compliance matters.

There are no matters which we perceive may impact our independence and objectivity of the audit team.

Other services provided to the Authority

In addition to our audit under the Code, the Firm is expected to undertake other work for you:

Tax Work: We are due to perform a piece of tax advice work commencing in April 2013. This work relates to the provision of a multi tax helpline for a fixed fee of £3,000.

We will confirm the exact nature of the work in our Report to those charged with governance (ISA (UK&I) 260), along with any other additional services provided.

Relationships and Investments

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

Independence conclusion

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

Communicating with you

Communications plan and timetable

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

Stage of the audit	Output	Date
Audit planning	Audit Fee Letter	December 2012
	Audit Plan	March 2013
Audit findings	Internal control issues and recommendations for improvement (if applicable - may form part of the Audit Memorandum)	September 2013
	Report to those charged with governance (ISA (UK&I) 260) report incorporating specific reporting requirements, including: <ul style="list-style-type: none"> Any expected modifications to the audit report; Uncorrected misstatements, i.e. those misstatements identified as part of the audit that management have chosen not to adjust; Material weaknesses in the accounting and internal control systems identified as part of the audit; Our views about significant qualitative aspects of your accounting practices including accounting policies, accounting estimates and financial statements disclosures; Any significant difficulties encountered by us during the audit; Any significant matters discussed, or subject to correspondence with, management; Any other significant matters relevant to the financial reporting process; and Summary of findings from our value for money audit work to support our value for money conclusion 	September 2013
Audit reports	Audit report on the Financial Statements	September 2013
	Value for Money conclusions	
	Audit report on the Pension Fund	
	Report on the Whole of Government Accounts return	
	Pension Fund Annual Report	
Other public reports	Annual Audit Letter	October 2013
	A brief summary report of our work, produced for Members and to be available to the public.	

Audit fees

The Audit Commission has provided indicative audit fee levels for the 2012/13 financial year. The base fee scale for your audit is £200,418 (excluding VAT).

The fees are not on a like for like basis as the 2011/12 fee includes a mandatory recharge paid to the Audit Commission, which is not required in 2012/13.

The fee is broken down as follows:

	2012/13	2011/12
Financial statements, local value for money conclusion and Whole of Government Accounts	156,168	260,280
Pension fund audit	21,000	35,000
Certification of claims and returns	23,250	38,750
Total	200,418	334,030

We have based the fee level on the following assumptions:

- Officers meeting the timetable of deliverables, which we will agree in writing;
- We are able to place reliance, as planned, upon the work of internal audit;
- We are able to draw comfort from your management controls;
- We are required to review no more than a maximum of 2 drafts of the financial statements
- No significant changes being made by the Audit Commission to the value for money criteria on which our conclusion will be based; and
- Our value for money conclusion and financial statements opinion being unqualified.

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

Certification of grant claims

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

Appendices

Appendix - Other engagement information

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

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

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

Electronic communication

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

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

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

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

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

Access to audit working papers

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

Quality arrangements

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the partner responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact Paul Woolston, our Audit Commission Lead Partner at our office at 89 Sandyford Road, Newcastle Upon Tyne, NE1 8HW, or James Chalmers, UK Head of Assurance, at our office at 7 More London, Riverside, London, SE1 2RT.

In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Events arising between signature of financial statements and their publication

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

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

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

This report has been prepared for and only for the London Borough of Bromley in accordance with the Statement of Responsibilities of Auditors and of Audited Bodies (Local Government) published by the Audit Commission in March 2010 and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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Agenda Item 8

Report No.
CEO1218

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 13 March 2013**

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

Title: **EXTERNAL AUDIT -ANNUAL AUDIT FEE LETTER**

Contact Officer: Luis Remedios, Head of Audit
Tel: 020 8313 4886 E-mail: luis.remedios@bromley.gov.uk

Chief Officer: Chief Executive

Ward: (All Wards);

1. Reason for report

Members are asked to note the attached report on the Annual Audit Fee and comment

2. **RECOMMENDATION(S)**

Members are asked to note the report and comment.

Corporate Policy

1. Policy Status: Not Applicable:
 2. BBB Priority: Excellent Council:
-

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Recurring Cost:
 3. Budget head/performance centre: External Audit Fee
 4. Total current budget for this head: £217K
 5. Source of funding: LB funding
-

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:
 2. Call-in: Not Applicable:
-

Customer Impact

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

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

Members are asked to note the attached report and note the substantial decrease in the external audit fee.

4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

The proposed audit fee is being substantially reduced to £200K

6. LEGAL IMPLICATIONS

There is a legal obligation for an external audit.

7. PERSONNEL IMPLICATIONS

None

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

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Private & Confidential
Audit Committee
London Borough of Bromley
Civic Centre
Stockwell Close
Bromley
BR1 3UH

18th December 2012

Dear Sirs

Annual Audit Fee 2012/13

We are writing to confirm the audit work that we propose to undertake for the 2012/13 financial year at the London Borough of Bromley. The fee is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13.

The total indicative fee for the 2012/13 audit is £200,418 (excluding VAT) which compares to the outturn fee of £345,280 for 2011/12. A summary of this is shown in the table below. The fees are not on a like for like basis as the 2011/12 fee includes a mandatory recharge paid to the Audit Commission, which is not required in 2012/13.

Audit area	Planned fee 2012/13 £	Outturn fee 2011/12 £
Financial statements, local value for money conclusion (including risk based audit work), and Whole of Government Accounts	156,168	260,280
Pension fund audit	21,000	35,000
Certification of claims and returns	23,250	50,000*
Total audit fee	200,418	345,280

*Our fee for certification of grants and claims is yet to be finalised for 2011/12 and will be reported to those charged with governance within the Grants Report to Management in relation to 2011/12 grants.

*PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
T: +44 (0) 20 7583 5000, F: +44 (0) 20 7212 4652, www.pwc.co.uk*

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The Audit Commission has published its work programme and scales of fees 2012/13¹. The Audit Commission scale fee for the London Borough of Bromley is £156,168; the same as the fee proposed for 2012/13.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12. A separate plan for the audit of the financial statements will be issued in March 2013. This will detail the risks identified, planned audit procedures and any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit committee.

We are required by the Code of Audit Practice to meet the requirements of the International Standards on auditing (UK and Ireland) revised, (clarity ISAs(UK&I)) as well undertake sufficient work to provide a conclusion on value for money. The audit fee is therefore based on the amount of work we are required to do to meet these standards. However, as indicated above, the audit fee is adjusted depending on the risk in relation to each specific audit. Whilst some risks are generic to all local authorities, others are specific to each audited body. Our audit fee is based on a number of assumptions, including:

- Meeting the agreed timetable for the preparation of the accounts and associated working papers;
- Highlighting the identity and contact details of the preparers of working papers, so that queries can be dealt with quickly;
- Discussing any unusual, new or complex transactions with us as they occur so that we can understand the detail and agree the necessary accounting treatment; and
- Agreeing the availability of staff whilst we are on site; and providing additional named contacts for audit queries when key staff are unavailable.

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

Value for money conclusion

Our value for money conclusion will be based on our assessment of the 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.

As part of our audit planning we may identify risks in relation to our value for money conclusion. For each risk, we will consider the arrangements put in place by the London Borough of Bromley to mitigate the risk, and plan our work accordingly.

¹ http://www.audit-commission.gov.uk/audit-regime/audit-fees/201213fees/pages/individualfees_lgfire.aspx



Value for money work

We will apply a light touch approach to our Value for Money work at the authority. This will be based primarily on a review of the annual governance statement. We will conclude whether there are any matters arising from this work that we need to report, and will include these in the audit report at the end of the audit.

Certification of claims and returns

The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. In 2012/13, the de minimis threshold below which we are not required to certify individual claims and returns will be £125,000, and the intermediate threshold below which are required to undertake only a light touch review will be £500,000. Above this threshold, certification work will be risk-based, taking account of the authority’s overall control environment.

Other matters

We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 1.

The key members of the audit team for the 2012/13 are:

- Engagement Leader – Janet Dawson 0207 213 5244 janet.r.dawson@uk.pwc.com
- Audit Manager – Katie Elstrup 0207 213 3070 katy.elstrup@uk.pwc.com
- Matthew Williams 07738 310 344 matthew.w.williams@uk.pwc.com
- Team Leader – Charles Martin 07732 864402 charles.martin@uk.pwc.com
- Jennifer Ledger-Lomas 07725 590781 jennifer.ledger-lomas@uk.pwc.com

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance.

Alternatively, you may prefer to discuss matters with Paul Woolston, our Audit Commission Lead Partner at our office at 89 Sandyford Road, Newcastle Upon Tyne, NE1 8HW, or James Chalmers, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Yours sincerely

Janet Dawson



Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
Annual certification report (relating to claims and returns certified in the previous year)	January 2013
Audit plan	March 2013
Pension fund audit plan	March 2013
Internal control issues and recommendations for improvement	September 2013
ISA (UK&I) 260 audit report to those charged with governance	September 2013
ISA (UK&I) 260 pension report to those charged with governance	September 2013
Auditor's report giving the opinion on the financial statements, value for money conclusion and pension annual report	September 2013
Annual audit letter	September 2013

Agenda Item 9

Report No.
CEO1214

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 13 March 2013**

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

Title: **INTERNAL AUDIT PROGRESS REPORT**

Contact Officer: Luis Remedios, Head of Audit
Tel: 020 8313 4886 E-mail: luis.remedios@bromley.gov.uk

Chief Officer: Chief Executive

Ward: (All Wards);

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 Priority One Recommendations
- 3.10 Audit Activity & Resources
- 3.17 Waivers
- 3.20 Housing Benefit Update
- 3.24 Future of Public Audit/Audit Committees
- 3.34 Public Sector Internal Audit Standards
- 3.37 Value for Money (VfM)
- 3.47 Other Matters-Training
- 3.50 Risk Management

2. **RECOMMENDATION(S)**

- a. **Note the report and comment upon matters arising from the Internal Audit progress report.**
- b. **Note the progress on implementation of priority one recommendations.**
- c. **Note the waivers issued over the period October 2012 to January 2013.**
- d. **Note the continuing achievements of the counter fraud benefit partnership with Royal Borough of Greenwich.**

- e. **Note the latest developments on the future of public audit/audit committees**
- f. **Note the up to date work on the annual governance statement and risk management.**

Corporate Policy

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

Financial

1. Cost of proposal: Not Applicable
 2. Ongoing costs: Recurring Cost
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £553K including fraud partnership costs of £230K
 5. Source of funding: General Fund plus £19K from sold services: administrative subsidy; administrative penalties; prosecution costs.
-

Staff

1. Number of staff (current and additional): 6.4 FTEs including a 0.5 FTE risk management post
 2. If from existing staff resources, number of staff hours: 190 days per quarter
-

Legal

1. Legal Requirement: Statutory Requirement: Account and Audit Regulations 2011
 2. Call-in: Not Applicable:
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Unable to Quantify
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
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 some ongoing activity by management to implement these.

3.3 Three priority one recommendations are considered to have been implemented- CDM 2007 which is expanded upon in Part 2 of this agenda, Debtors and Social Care Payments expanded upon below.

3.4 Debtors- this had been a long standing priority one recommendation in respect of improving recovery of debts over a year old. A recent Internal Audit of debtors showed that the total debt over a year old as at the 31st January 2013 stood at £2.373 million of which Adult and Community Services (ACS) accounted for £1.422 million. Putting this in context, over the period July 2011 to October 2012 a total of £52.35 million of debts were raised. The last detailed analysis of the ACS debt as at 30th September when the debt stood at £1.2 million is attached as Appendix B. This shows the action being taken such as charges placed on the properties, county claim action and judgements, cases with Legal Services, power of attorney application, debts with collection agencies etc. The non ACS debts are broken down by department and also shown in Appendix B. A number of large debts within these departments appear to be under dispute e.g. Property Management rent invoices, works in default raised in Environmental Services, a Section 106 invoice for £135K in Renewal and Recreation but these are known to management. Given the above findings the priority one status of this recommendation was downgraded to a two but will again be audited as part of the 2013/14 planned debtor audit.

3.5 Social Care Payments- At the last meeting of this committee we had reported to Members of this committee that a number of overpayments totalling £69,707 were made in the former CYP directorate due to number of reasons including poor communication of information, not updating the system in a timely manner, not being aware of a change in circumstances for instance where a child had left care, system faults in respect of kinship payments and rising 18 year olds and agreeing to pay full costs of shared costs and then trying to recover.

- 1 invoice cancelled as the £7,245 overpayment was, by agreement with the supplier, deducted from their payments over a 10 month period.
- 1 invoice for £2,800 was written off, authorised by the AD Safeguarding and Social Care. The suppliers had sought legal advice regarding the overpayment and as the error was apparently down to LBB, there was no overpayment. KW concluded that the legal costs to pursue the debt would exceed the overpayment. NB there is a delay of some 6 months when the referral back to the specialist guardian team sat on the query and Liberata had to repeatedly chase for a resolution as the invoice was on hold.

The remaining 6 cases are shown as current on the overpayments spreadsheet maintained by finance to monitor progress. Outstanding recovery for these 7 cases is currently £29,481.95.

- 2 invoices (£9,762.96 and 349.37) are with the debt collector total value.
- 2 cases have agreed recovery by monthly instalments; current debt in February 2013 is £6,865.89)
- 1 case is currently being pursued through County Court (£1,991.81)
- 1 case will now continue with bailiff enforcement (£10,511.92).

Of the additional 6 cases identified by the audit review:-

- 2 invoices have been paid in full (£1,619.87 and £1,140.12)
- 1 case have agreed recovery in instalment, current debt I February 1013 is £5,334.68

- 3 invoices have been passed to the debt collector for recovery (£4,950, £1,401.48 and £3,181.08)
- 3.6 Since the audit report management have introduced a spreadsheet to record all over payments to be reconciled to the monthly aged debtors sent out by finance. Fostering staff have been instructed to inform commissioning as soon as the fostering placement changes. Commissioners can track service changes on CareFirst but kinship cases often change without the Authority being informed. A monthly report is now run from CareFirst to identify all current kinship placements that management have to respond and agree to.
 - 3.7 To minimise the risk of overpayment where panel approve share costs, LBB now pay their agreed element and the other party/parties are invoiced direct.
 - 3.8 There is now a monthly report to show placements due to turn 18 to provide an earlier alert.
 - 3.9 There have been no new priority one recommendations made since the last cycle of this committee.

3.10 Audit Activity and Resources

- 3.11 Members of this committee were updated in early March 2013 on audit activity covering both planned work and investigations. In terms of days we have since April 2012 to the 31st January 2013, spent 259 days on audit plan work; 258 days on fraud and investigations; 61 days on carrying out 27 visits on our responsible officer roles at the Academies; and 69 days completing the last few audits commissioned by RB Greenwich. We currently have seven audits that Deloitte have been commissioned to carry out.
- 3.12 The average score on audit satisfaction questionnaires returned is 3.9 in a scale 1 to 5. The performance indicator is 3.
- 3.13 Academies- since the last cycle of this committee, two Bromley Academies have withdrawn from our services.
- 3.14 We are currently carrying 2 vacancies following two principal auditors who left the authority in July 2012. This has had an impact on the audit plan but not adversely as most of the lost time has been offset against time that would have been spent on carrying out Internal Audit sold services to RB Greenwich that is no longer required. One of the vacancies will be filled shortly by the appointment of a part time redeployee with previous internal audit experience.
- 3.15 Despite the vacancies and time spent to fraud and investigations we are confident that the 2012/13 audit plan will be substantially complete by April 2013.
- 3.16 The established structure from April 2013 will be 6.4 FTEs including a 0.5 FTE to cover risk management.

3.17 Waivers

- 3.18 As required by the Contract Procedure Rules this committee has to be updated on waivers sought across the Authority at six monthly intervals. The last update was reported to this committee in November 2012 and covered waivers sought up to September 2012. See Appendix C for waivers approved from September 2012 to February 2013. The list is collated from the Heads of Finance for each of the Service areas and any information kept by the Chief Officers. Members are asked to review this list and comment as necessary.

3.19 The waiver procedure has been simplified by issue of a guidance procedure that forms part of the Contract Procedure Rules. This documents defines a **Waiver** as – **“the dispensation of the need for compliance with a particular requirement of these Contract Procedure Rules”**

Where the estimated value of this requirement is likely to exceed;

- **£50k** the Agreement of the Chief Officer needs to be obtained; The matter also needs to be included in the bi-annual report submitted to Audit Sub Committee:
- **£100k - £1m** The Chief Officer in Agreement with the Director of Resources and Finance Directors together with the Approval of the Portfolio Holder. The matter also needs to be included in the bi-annual report submitted to Audit Sub Committee:
- **£1m and Above** - The Chief Officer in Agreement with the Director of Resources and Finance Directors together with the Approval of the Executive or Council as appropriate.

Note under Contract Procedure Rule 13.2 Chief Officers with Social Care responsibilities have specific exemptions provided to them under the Council’s Scheme of Delegation (which is included in the papers agreed at the AGM of the Council).

3.20 Housing Benefit Update

3.21 Since the inception of the partnership in April 2002, through to January 2013, the Council has successfully prosecuted 320 claimants to date for benefit fraud; issued 296 court summonses; given 97 formal cautions; and administered 352 penalties. The full details and appendices on trends are shown in Appendices D, E and F.

3.22 We had previously reported a success in confiscating two properties in respect of a case where the benefit claimant was successful prosecuted – the properties have been sold and we are expecting an amount of about £35,000. This is still awaited. There is another case pending.

3.23 The latest information that the DWP have given the local authorities on the proposed move towards a Single Fraud Integrated Service (SFIS) is that this will now be effective from April 2014. The reasoning behind this is to give the pilot authorities and DWP more time to assess the results of the exercise. From April 2014 investigations of welfare benefits will be under SFIS. It appears at this stage that the staff involved in Bromley’s case the 5 investigators will continue to stay with the local authority but their duties will be ring fenced to investigating welfare benefit fraud. This will have a knock on affect for investigation of local council tax reduction schemes which will need to be suitably resourced. This could still change between now and April 2014.

3.24 Future of Public Audit /Audit Committees

3.25 The draft Local Audit Bill as it stands requires local authorities to have independent (non-elected) members for appointing external auditors. If audit committees do not meet this requirement, there will be a need to set a separate panel for this purpose.

3.26 The Draft Local Audit Bill ad hoc Committee published its report on the Draft Local Audit Bill in January 2013. On the subject of Independence: Appointment and Removal of Auditors they made the following recommendations:

3.27 Given the potential problems associated with local appointment, they recommend that a capacity is retained whose functions are limited to the procurement of audit.

3.28 Should the Government persist with its proposals for local auditor appointment, they recommend that the draft Bill is amended so that the provisions for auditor panels are replaced with a statutory requirement for strengthened audit committees which have an independent chair and a majority of independent members. They also recommend that, in order to safeguard

the independence of audit, the Bill stipulates that full councils, or the equivalent governing body, should appoint auditors following recommendations from their Audit Committee.

3.29 The timetable to progress the draft bill through Parliament still has to be agreed.

3.30 CIPFA Resources

3.31 The CIPFA Better Governance Forum has developed an easy to access web-page <http://www.cipfanetworks.net/governance/auditcommittees/> for audit committee members and other members and non-executives with an interest in governance. From here they can easily access key documents such as Audit Committee Update and other resources relevant for their role.

3.32 To access the documents and other resources Members will need to register on the website <https://www.cipfa.org/Register> but as long as you have an organisation email address (i.e. @bromley.gov.uk) then this should be very straight forward.

3.33 In a recent mini survey, 9 local authorities had independent members on the audit committee ranging in numbers from 1 to 3. Some boroughs paid independent members a small fee and some required independent members to have a local connection with the borough.

3.34 Public Sector Internal Audit Standards

3.35 The new Public Sector Internal Audit Standards (PSIAS) are still in draft but will be operational from the 1st April 2014. The objective of these standards is to provide a consistent framework for internal audit services across the UK public sector. The standards are based on the Institute of Internal Auditors' International Standards, Definition of Internal Auditing and Code of Ethics. One of the requirements of these standards is the need for an internal audit charter that we currently have. This will need to be reviewed as a result of the new standards. There is no longer a need for an audit strategy but the risk based plan linking it to the organisation's objectives and priorities.

3.36 The standards also require internal audit to be checked for efficiency and effectiveness under a Quality Assurance and Improvement Programme (QA&IP). This will involve internal assessments and a five yearly external assessment. Once they are operational we will report to this committee on any significant changes.

3.37 Value for Money

3.38 Members of this committee had previously agreed a simple methodology for Internal Audit to use in assessing the value for money arrangements for designated areas covered in the audit plan. In the 2012/13 plan, we have provisionally highlighted the following audits that could be subject to VfM arrangements: Debtors; Domiciliary Care; Residential and Nursing Care; Early Years; SEN and Inclusion; Car Parking (PCNs).

3.39 As reported previously the Early Year's audit has been completed but we could not carry out a review of VfM arrangements as this service had not carried out any benchmarking on performance monitoring as children are placed in private settings at the discretion of parents and the settings are individually inspected by Ofsted. In respect of Debtors it was problematical to tie in the agreed methodology to this audit entity especially given that Accounts Receivable Team has only recently fully transferred to the contractor. Domiciliary Care audit was finalised without VfM arrangements being assessed as it was felt that as the service was already externalised to a number of contractors following a tendering exercise. The Residential and Nursing Care PCN audits are ongoing and VfM arrangements will reported on conclusion. SEN and Inclusion VfM arrangements are expanded upon below.

3.40 SEN AUDIT

- 3.41 Based on the findings of the review for Value for Money (VfM) arrangements, Internal Audit has concluded that the service scored an overall 3 (Substantially met). This was on the basis of using a methodology agreed by members of the Audit sub-Committee to review VfM in a scoring range of 1 – 4, with 1 equating to not met and 4 equating to fully met.
- 3.42 Benchmarking rated as a 3. The benchmarking was carried out against other London authorities, by comparing BESD costs and also comparing provision with Bexley for Pathfinder services.
- 3.43 External assessments are rated as 3 based on Ofsted assessments carried out on Bromley's Children's Services and of the Local Authority controlled Special Schools, which are performing well or outstanding.
- 3.44 Customer surveys a rating of 3 based on questionnaires that were sent to SENCOs based at schools and from consultation with parents regarding the Disability and SEN Green Paper and changes that will result from this.
- 3.45 Budget as 3 based on the budget in the first six months monitoring which shows the budget is under spent as predicted at October 2012.
- 3.46 Overall, the conclusion of this audit was that substantial assurance could be placed on the effectiveness of the overall controls.

3.47 Other Matters-Training-Financial Regulations and Contract Procedure Rules

- 3.48 In January 2013 the Heads of Internal Audit and Procurement ran the last session on mandatory training that designated officers were required to attend. The training was based on findings emanating from previous investigations. In total 350 officers attended these courses.
- 3.49 It was felt that training in both the Financial Regulations (FR) and Contract Procedure Rules (CPR) should be an ongoing and mandatory process for officers and managers who have financial responsibilities e.g. budget holders, authorising officers. The most efficient way to take this forward was through a comprehensive IT web based training package for both FR and CPR involving the answering of test questions that are scored. Officers will have to pass these tests in order to demonstrate competency. The web based versions for both FR and CPR have been loaded on and a pilot exercise involving 11 officers chosen at random from across the authority is currently ongoing. On completion of the pilot exercise and any feed back from these officers there will be an official launch in early April 2013.

3.50 Risk Management

3.51 Annual Governance Statement

The preparation and publication of an AGS in accordance with the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* is necessary to meet the statutory requirement set out in Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011. This requires a relevant body to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and 'to approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.'

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

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

3.53 CIPFA/SOLACE have recently published revised guidance to the original Framework issued in 2007 under the title 'Delivering Good Governance in Local Government: Guidance Note for English Authorities 2012 Edition'. The revisions respond to the changing way in which local authorities operate and undertake service provision due to the Localism Act and other key legislation.

3.54 We are currently updating our existing Code of Corporate Governance to incorporate these changes and this will be presented at the next meeting of this committee.

3.55 CIPFA/SOLACE have also updated their guidance on the wording and key elements of governance that should be included in an AGS. This includes an emphasis on value for money and partnership arrangements. We will be following this 'model' for our own review.

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

3.57 The assurance gathering process includes a full review of the risk register, the completion of a checklist and the signing of assurance statements by the Assistant Directors and Chief Officers. Further guidance can be found on the Risk Management and Insurance page on one Bromley:

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

3.58 To provide a clearer picture of how risk management and AGS process combines together, the Risk Management Group has drawn up a risk mind map (see Appendix G). The risk mind map shows that the 'risk universe' has important links with Internal Audit, External Audit, Governance, Insurance, Partnerships and Performance Management. The information / assurances that flow from these into the Annual Governance Statement provides the statutory link.

3.59 The AGS is signed off by the Chief Executive and the leader of the Council and accompanies the Annual Report and Statement of Accounts.

3.60 The timetable for the year's review is as follows:

ACTION	BY WHEN
Circulate risk register for any amendments	1 st February
2011/12 AGS sent to relevant departments to update wording	1 st March
Department risk registers signed off by Department/Senior Management Teams	1 st March
Summary of audits completed in 2012/13 sent to Risk Management Group members	12 th April
Departmental assurance statements signed by Directors	19 th April
Draft AGS agreed by Risk Management Group	26 th April
Draft AGS to Directors for comment / agreement	15 th May
Any revisions to wording of AGS finalised	22 nd May
AGS to Audit Sub-Committee for approval	6 th June
2 x AGS signed by the Chief Executive and Leader of the Council	7 th June
2 x Signed AGS to Technical and Control	10 th June
AGS action plan completed and diarised for review in line with Audit Sub-Committee meetings	14 th June

3.61 Although the risk register is currently being updated as part of the AGS process to reflect recent organisational change and new legislation we attach a copy of the current high risks (see Appendix H) for the record.

4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

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

Non-Applicable Sections:	Legal, Personnel
Background Documents: (Access via Contact Officer)	[Title of document and date]

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Report Number/Date	Title	Opinion	No. of Priority One's	Details of original Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
Env/006/01/2011	Parks& Greenspace	Nil	8	Part 2	In progress	Director Env	To be followed up in quarter 1 of 2013/14 plan.	High
ACS/068/01/2011	Emergency Accommodation & Rent Accounts	Limited Assurance	1	Service Teams, including LATCH, Leaving Care Services, Core and Cluster [now Supported Living], Traveller and Orchard and Shipman are not recovering rent arrears or monitoring the debts of their clients, which on 10/2/12 gave an accumulative total of £533,753.50 in these groups. Teams do not currently have access to the accounting files on Anite. In addition, these teams do not hold detailed procedures to outline the process for the recovery of debts The previous audit also highlighted problems with rent arrears in emergency accommodation. Total rent arrears for current and former clients stands at £1,266,528 compared to £1,268,466 in January 2012.	In progress	Exchequer Manager/Liberata Sundry Debtors Section Manager/Group Manager Leaving Care Team/Group Manager Residential Services/Group Manager Housing Needs	Rent arrears at January 2013 were £1,541,398. Part of the increase in arrears may be due to increase in TA numbers. To be followed up in 2013/14.	High
CYP/P47/01/2012	Primary School	Limited Assurance	2	20 payments were selected from a report extracted from the schools financial system. Audit testing identified weaknesses in ordering goods and services, obtaining detailed invoices as per school financial regulations and inadequate checks being carried out prior to invoice payment The last Petty Cash Reconciliation was carried out 25/9/12 which included entries since 5/7/11 however there was no supporting documentation for the £678.47 payments made for this period of time.	In progress	Headteacher	To be followed up in 2013/14- 2nd quarter.	
CYP/024/01/2012	Behaviour Services	N/A	4 o/s	Part 2- three of the 7 priority one recommendations have been implemented.	In progress	Assistant Director ECS	Expanded in Part 2	High
ACS/026/01/2012	Direct Payments	Limited Assurance	1	The monitoring spreadsheet used to monitor clients receiving direct payments was examined. Of the 506 clients receiving payments in the first quarter 2011, it was identified that at 15/6/12 monitoring had not been received for 53 clients. By the end of the audit, twenty four had been chased up and sixteen direct payments had ended. Thirteen cases remain outstanding with no information received, twelve of these are for children receiving direct payments, where the service is happy to continue to paying direct payments despite a lack of monitoring information. The spreadsheet included client P4287 where complete monitoring had not been received since January 2011 and queries around large cash withdrawals had not been answered. (Total payments to the 53 clients from April 2011 to June 2012 was £245,880.96, payments to the 12 clients where information is outstanding is £90,593.77).	In progress	Exchequer Manager/The Heads of Service for Adults and Children's Social Care	To be followed up in six months. Some audit testing carried out that suggests that further progress is required. Will be followed up as part of 2013/14 audit plan.	High

The following priority one recommendations have been implemented:

- Debtors - following debtor audit, this has been downgraded to priority two. See committee report March 2013.
- Children's Social Care Payments-sufficient progress demonstrated to justify removal. See committee report March 2013
- CDM2001- the outstanding recommendation relating to the proposed sale of the project has been implemented- see Part 2 March 2013
- Print and Design-2 recommendations implemented- see part 2 March 2013

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Analysis of ECS-ACS debts over one year old

As at 30 September 2012

Status	Amount
	£
Debt Secured by a Charge on the property	116,902
Awaiting probate/Executor details	115,311
Application for Power of Attorney in progress	13,220
Payment arrangement in place	59,799
Debt disputed	56,400
Referred to a Debt Collection Agency	43,557
County Court Claim issued	139,098
County Court Judgment obtained	113,430
With LBB Legal Department	52,449
Pre legal approval	250,982
Recommended for write off	237,681
To be cancelled	1,442
Total	1,200,271

Breakdown by department of debts over a year old as at 31st January 2013

Department	Amount
ACS	1,422,385
Corporate including payroll	486,265
Children's Services	84,733
Environmental Services	232,405
Renewal & Recreation	147,558
Total	2,373,346

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Waivers - From
September 2012

Waivers > £50,000							
DIRECTORATE	SERVICE AREA	CUMMULATIVE VALUE	ANNUAL AMOUNT	DETAILS	PERIOD FROM	PERIOD TO	APPROVAL
CORPORATE	All Departments	£139,000	£139,000	Council Wide Management Review	01/02/13	31/07/13	Approved by Director of Resources and Portfolio Holder
ES	Transport Operation		£153,268	Purchase of one specialist 4x4 vehicle for winter maintenance	01/01/13	n/a	Approved by Director of Environmental Services Director of Resources, Finance Director and Portfolio Holder
ES	Highways		£257,791 (cost of works)	Civil engineering works at The Hill Car Park	03/09/12	13/11/12	Arroved by Director of Environmental Services Director of Resources and Portfolio Holder
RS	Bromley Knowledge	£173,000 Cumulative Value (1/1/10/10 onwards)	£10,000	Implementation and development of the Jadu Content Management System to manage Bromley Corporate website [on-going annual support]	01/10/10	on-going	Approved by Director of Resources and Finance Director
RS	Operational Property	£100,000	£35,000	Provision of electrical maintenance services to all Council properties to be transferred to one contractor	01/01/11	31/12/13	Director of Resources, Finance Director and Portfolio Holder
	Revenues and Benefits	£202,370	£105,540	Service currently being provided by DWP, therefore a new service to the authority	01/04/13	13/03/15	Approved by Director of Resources, Finance Director and Portfolio Holder
RS	Transport Operation	£81,383 Cumulative Value (6/11/12-5/11/13)	£81,383	Extend contract hire of the Car & Light Commercial Vehicle Fleet beyond the limit of the original contract	06/11/13	05/11/14	Approved by Director of Environmental Services, Director of Resources and Finance Director
R&R	Housing Development and Strategy	£870,000	£870,000	Affordable Housing Payment in Lieu Grant to the Council's Registered Provider Development Partners	n/a	n/a	Approved by Director of R & R, Director of ECS, Director of Resources and Portfolio Holder
ECS	Commissioning - Adults	£999,0675 Cumulative Value (1/4/07-30/12/12)	£85,927	Brokerage Service for older people	01/04/12	31/12/12	Approved by Director of Resources, Finance Director and Portfolio Holder
ECS	Residential Care with Nursing	On-going	£61,152	Placement - Sunrise, 21 Russell Hill, Purley	03/05/12	on-going	Approved by Director of ECS and Portfolio Holder
ECS	Children Social Care	£51,037	£16,500 (3 month cover)	Consultant to provide specialist management support to staff within the adoption service and act as adoption advisor to the Council (extension to existing contract)	01/09/12	31/11/12	Approved by Director of ECS, Director of Resources and Finance Director
ECS	Children Social Care	£825,000 Previous Cumulative Value (1/4/09-31/8/12)	£200,000	Bromley Welfare Service [Original 2 year contract extended by 6 months, now extended by a further year]	01/09/12	31/08/13	Approved by Director of ECS Director of Resources and Portfolio Holder
ECS	Children Social Care		£60,210 (cost until end of financial year)	Children Home Placement	07/09/12	31/03/13	Approved by Director of ECS, Director of Resources and Finance Director
ECS	Children Social Care		£82,000 (cost until end of financial year)	Children Home Placement	08/09/12	31/03/13	Approved by Director of ECS, Director of Resources and Finance Director
ECS	Children Social Care		£80,000 (cost until end of financial year)	Education Services Placement	24/09/12	31/03/13	Approved by Director of ECS, Director of Resources and Finance Director
ECS	Children Social Care		£55,800 (cost until end of financial year)	Children Home Placement	26/09/12	31/03/13	Approved by Director of ECS, Director of Resources and Finance Director
ECS	Commissioning - Adults	£434,300 Cumulative Value (1/8/08-31/3/13)	£25,000 (six months)	Advocacy for All Person Centered Planning Service [6 month extension]	01/10/12	31/03/13	Approved by Director of ECS, Director of Resources and Finance Director
ECS	Supported Living	On-going	£74,724	Placement - 213 Widmore Road	01/10/12	on-going	Approved by Director of ECS and Portfolio Holder
DIRECTORATE	SERVICE AREA	CUMMULATIVE VALUE	ANNUAL AMOUNT	DETAILS	PERIOD FROM	PERIOD TO	APPROVAL
ECS	Supported Living	On-going	£91,611	Placement - The Glade, Cheyne Centre	03/10/12	on-going	Approved by Director of ECS and Portfolio Holder
ECS	Children Social Care		£95,150 (cost until end of financial year)	Residential Homes Education	10/10/12	31/03/13	Approved by Director of ECS, Director of Resources and Finance Director
ECS	Commissioning - Adults	£76,000 Cumulative Value (1/12/11-31/11/13)	£38,000	Stroke support services [1 year extension]	01/12/12	30/11/13	Approved by Director of ECS Director of Resources and Portfolio Holder
ECS	Residential Care with Nursing	On-going	£106,704	Placement - New Forest Care, Harrowdene, Hampshire	01/02/13	on-going	Approved by Director of ECS and Portfolio Holder
ECS	Education	£84,600	£33,000	Consultant to manage conversion of Bromley primary schools to academies and oversee Free School meals agenda	01/02/13	31/07/13	Approved by Director of ECS, Director of Resources and Finance Director
ECS	Commissioning - Adults	£1,231,763 Cumulative Value (1/4/11-31/3/14)	£99,614	Provision of specialist statutory assessments for people with visual impairments [1 year extension to original contract]	01/04/13	31/03/14	Approved by Director of ECS and Executive Committee
ECS	Commissioning - Adults	£117,805 Cumulative Value to date - £45,000 Cumulative Value of new contract	£15,000 (LBB contribution)	Provision of Hospital Discharge Worker to Carers Bromley [extension to original contract]	01/04/13	31/03/16	Approved by Director of ECS, Director of Resources and Portfolio Holder
ECS	Commissioning - Adults	£104,034 Cumulative Value (1/9/09-31/3/13)	£26,000	Mental Health worker based at Oxleas [Original contract renewed]	01/04/13	31/03/16	Approved by Director of ECS and Director of Resources
ECS	Commissioning - Adults	£432,507 [inclusive of optional 2 years extension]	£144,169	Bromley Link and additional functions as set out in the Health and Social Act 2012	01/04/13	31/03/14	Approved by Director of ECS, Director of Resources and Portfolio Holder
ECS	Commissioning - Adults	£265,574 Cumulative Value (1/7/06-31/4/13)	£36,167	Queens Road Supported Living [1 year extension]	01/04/13	31/04/14	Approved by Director of ECS, Director of Resources and Finance Director
ECS	Commissioning - Adults	£167,374 Cumulative Value (1/4/10-31/3/14)	£41,716	Mental Health Benefits Service Advice [1 year extension]	01/04/13	31/03/14	Approved by Director of ECS, Director of Resources and Finance Director
ECS	Commissioning - Adults	£41,820 Cumulative Value (1/5/11-30/4/13)	£20,910	Independent Mental Capacity Advocacy Service [Original 2 year contract extended by 1 year]	01/05/13	30/04/14	Director of ECS, Director of Resources and Finance Director

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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

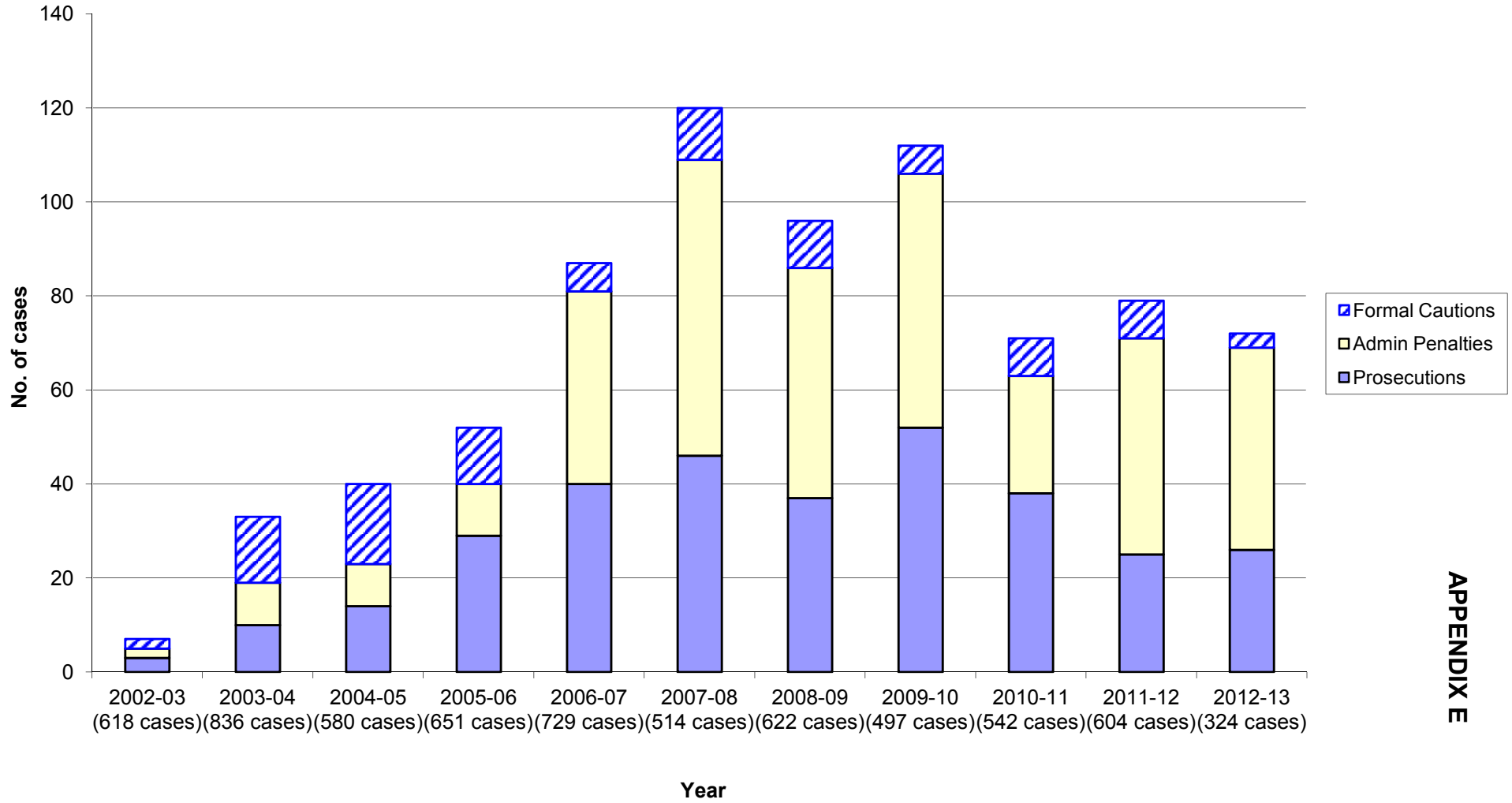
2009/2010	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	38	51	61	51	43	57	28	46	16	44	24	38	497
Confidential Hotline	11	18	12	3	13	18	5	11	5	11	4	10	121
Interviews	22	22	30	35	31	28	28	27	14	22	20	18	297
Claimant Visits	5	1	19	22	7	11	12		1	4	11	19	112
Prosecutions	8	2	9	1	5	8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

2011/12	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	52	60	56	57	30	64	58	68	31	46	43	39	604
Confidential Hotline	23	11	11	10	4	13	15	11	8	6	5	8	125
Interviews	18	28	24	21	19	10	16	18	17	18	25	21	235
Claimant Visits	10	10	4	3			1	6	6	4	7	7	58
Prosecutions	4	1	2		1	3	2	3		4	5		25
Court Summonses		3	1	5	4	1	7	3	1	1		2	28
Admin Penalties	6	10	4	5	8	3	4	2	2	1	1		46
Formal Cautions	1		1	1	1	1			1	2			8

2012/13	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	37	41	13	40	26	36	40	36	19	36			324
Confidential Hotline	8	10	5	10	8	8	9	15	6	10			89
Interviews	2	16	18	13	16	6	9	22	8	8			118
Claimant Visits	1		5	5	5	9	5	7	8	2			47
Prosecutions	4	5	1		4	3	4	5					26
Court Summonses	2	3		3	7		3	2	2	1			23
Admin Penalties	16	5	5	2	2	5	5	1	2				43
Formal Cautions		1					1		1				3

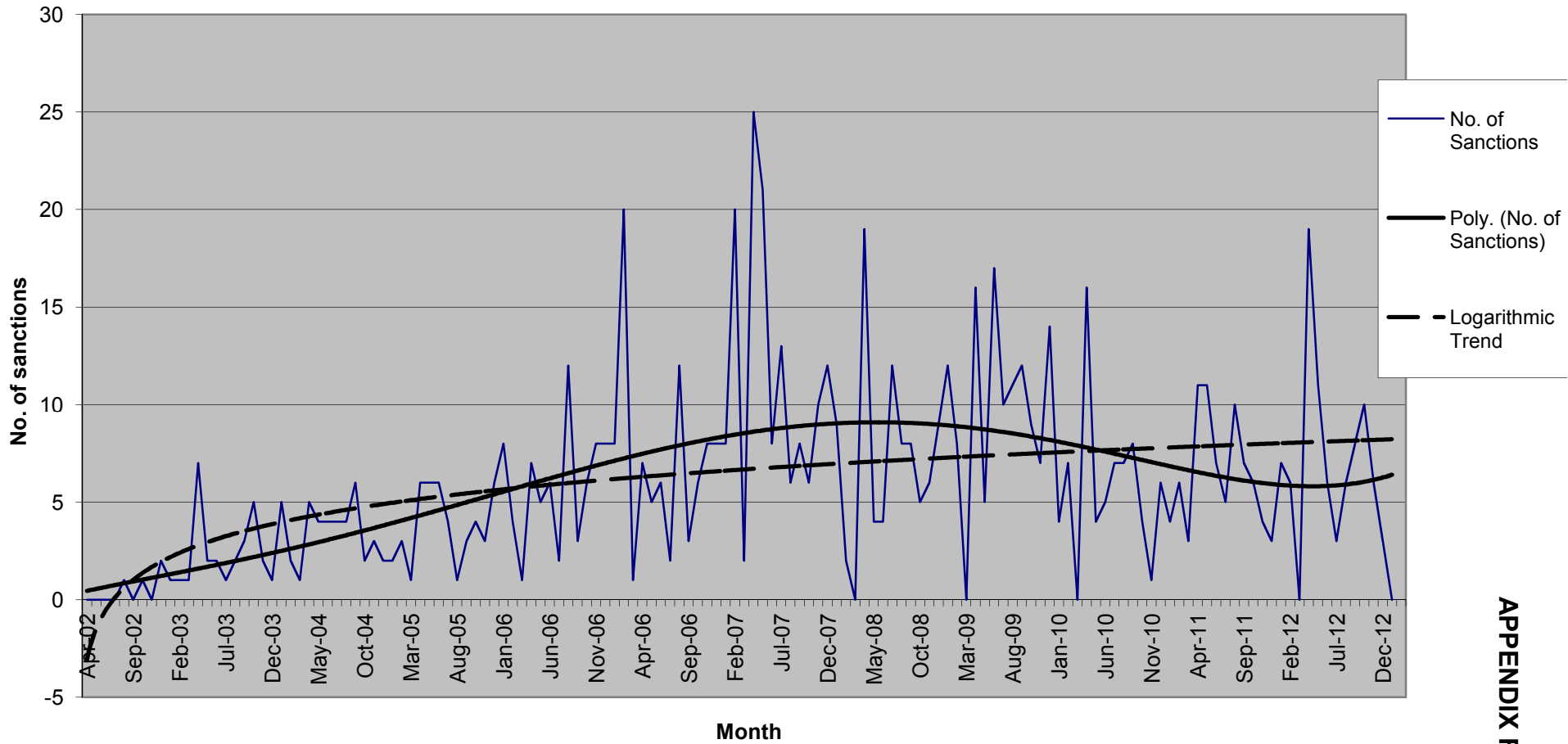
HB Sanctions - Annual Comparison



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Sanctions Trend

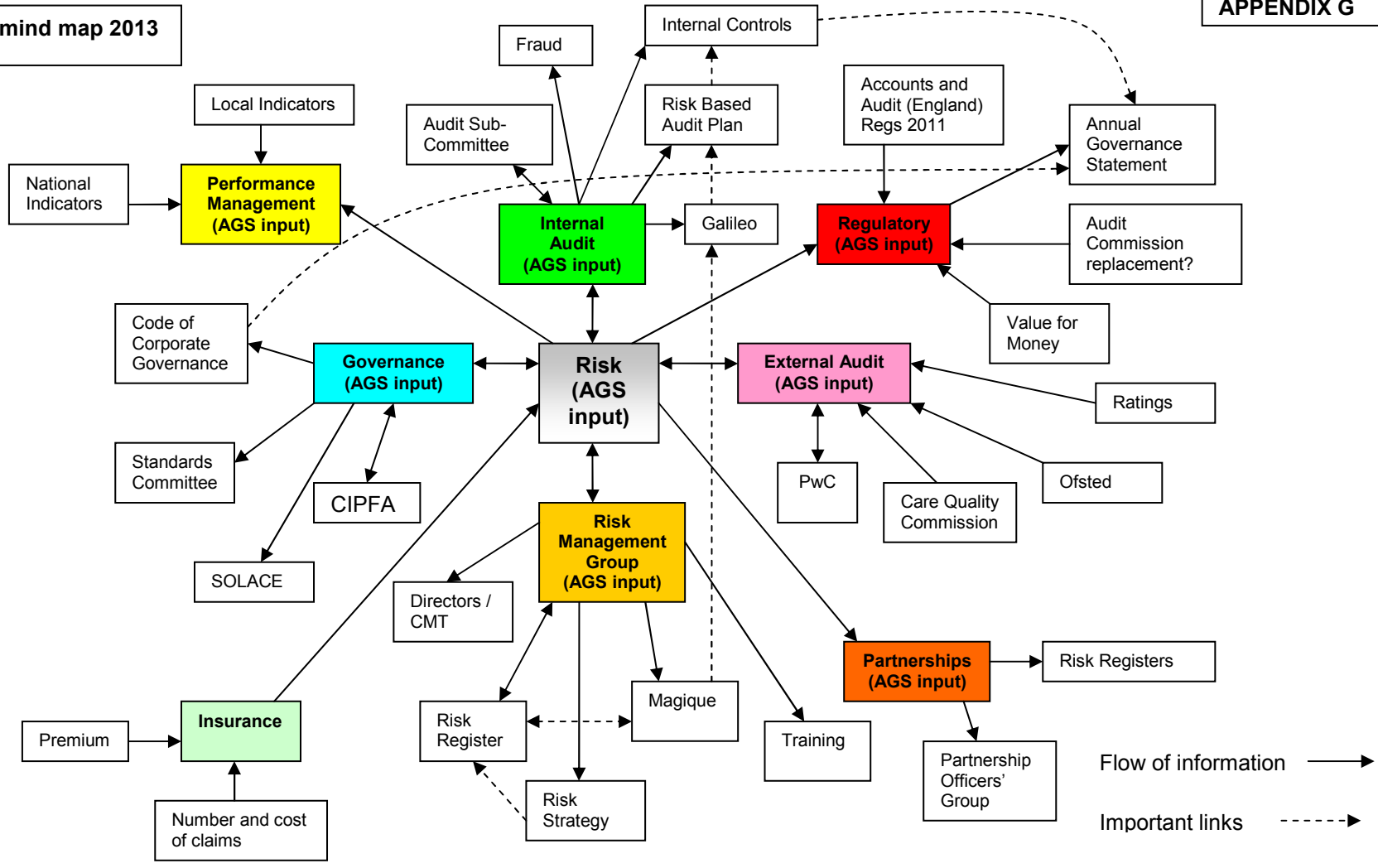
(NB: peaks and troughs are dependent on the court's allocation of cases to be heard.)



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Risk mind map 2013

APPENDIX G



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BROMLEY RISK REGISTER - HIGH RISKS - FEBRUARY 2013

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner
CEX/COM.0007	Chief Executive's	Communications	Communications	<p>Crisis Communications</p> <p>Failure to handle crisis communications in a major incident correctly</p> <p>Political - Strategic</p>	Chief Executive
CEX/IEE.0353	Chief Executive's	Organisational Improvement	Improvement, Effectiveness and Efficiency	<p>Efficiency Projects</p> <p>Failure to deliver on efficiency projects with the Organisational Improvement Programme will result in savings having to be made elsewhere, for example frontline services</p> <p>Political - Strategic</p>	TBA

ECS/ALL.0245	Education and Care Services	All ECS Divisions	All ECS Sections	<p>Council Budget Savings</p> <p>Risk of not achieving savings, e.g. Failure to achieve large outsourcing savings:</p> <ul style="list-style-type: none"> - Carelink £50k - Reablement £300k - Learning Disability (LD) core & cluster £100k - Extra Care Housing (ECH) £100k - Learning Disability (LD) day services £100k <p>-----</p> <p>Financial Implications:</p> <ul style="list-style-type: none"> - Savings are embedded in the budget. Risks reviewed monthly by managers/finance to monitor the potential financial impact. - Generally the cuts in LA funding will have an impact as ECS will have to find additional savings in future years like all other departments. There is a risk around whether we can provide our statutory duties and whether there is the critical mass to provide services to the schools that remain maintained. Council is lobbying Govt on these issues. <p>Financial - Operational</p>	Director ECS
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ECS/ALL.0374	Education and Care Services	All ECS Divisions	All ECS Sections	<p>Academy Status</p> <p>Impact of Academies Act - uptake of Academy Status by schools results in following risks:</p> <ul style="list-style-type: none"> - financial; loss of budget to ECS Dept and Council as a whole; - strategic; implications for LA strategic responsibilities e.g. pupil place planning, school organisation, pupil admissions, SEN position, excluded pupils, School Improvement, safeguarding, child protection, Looked After Children; - local Education framework; unity, cohesion, collective accountability, future capacity of the Local Authority. <p>The more schools that attain Academy Status the higher the financial impact on the LA.</p> <p>Financial threat to the Local Authority as a whole has resulted in this being flagged as a 'Corporate' Risk.</p> <p>Local Authority Central Spend Equivalent Grant (LACSEG): Education has earmarked additional £1m for 2013/14 to cushion the impact of LACSEG loss of funding</p> <p>Financial - Operational</p>	Director ECS/ Chief Executive
ECS/HSN.0371	Education and Care Services	Housing Needs	Housing Needs	<p>Bed & Breakfast</p> <p>Housing client pressures and the effects of bed and breakfast accommodation. Rising use and cost of B&B.</p> <p>Social - Strategic (sub: Operational - Financial)</p>	Sara Bowrey

ENV/ALL.0209	Environmental Services	Public Protection	All ENV Sections	<p>Business Continuity</p> <p>Failure to implement and keep up-dated effective council-wide Business Continuity Plans</p> <p>Reputational - Strategic</p>	Steve Lewis
ENV/FSL.0038	Environmental Services	Public Protection	Food, Safety and Licensing	<p>Infectious Disease</p> <p>Outbreak of infectious disease / flu pandemic - Disruption to normal services due to staff sickness, high demand on services from community increased numbers of deaths</p> <p>Environmental - Operational</p>	Clive Davison
ENV/TAH.0157	Environmental Services	Transport and Highways	All TAH Sections	<p>Operational Emergencies</p> <p>Operational Emergencies (e.g. extreme heat, storms, floods, snow)</p> <p>Physical - Operational</p>	Paul Symonds

PUH/PUH.381	Public Health	Public Health	Public Health	<p>Tobacco</p> <p>Failure to meet the four week quitter target</p> <p>Social - Strategic</p>	Nada Lemic / Khamis Al-alawy
PUH/PUH.382	Public Health	Public Health	Public Health	<p>Emergency Planning</p> <p>The risk of a major infectious disease outbreak e.g avian flu, causing mass fatalities</p> <p>Strategic - Environmental</p>	Angela Bhan / Sonia Colwill
R&R/HSD.0370	Renewal and Recreation	Housing Development and Strategy	Housing Development	<p>Capital Grant</p> <p>Lack of availability of Capital Grant to deliver key schemes for range of client groups and corporate / portfolio plan priorities especially from 2011/14 Housing Communities Agency (HCA) programme</p> <p>Financial - Operational</p>	Kerry O'Driscoll
R&R/HSD.0372	Renewal and Recreation	Housing Development and Strategy	Housing Development	<p>Planning Permission</p> <p>Lack of planning permission. Significant reduction in applications and starts due to economic downturn.</p> <p>Financial - Operational</p>	Kerry O'Driscoll

R&R/TCD.0281	Renewal and Recreation	Planning	Town Centre Development	<p>Development</p> <p>Failure to secure development on key sites due to the downturn in the economy</p> <p>Economic - Strategic</p>	Kevin Munnelly
RES/LDC.0099	Resources	All LDC Divisions	All LDC Sections	<p>Customers</p> <p>Failure to meet the current and changing needs of customers; risk of censure at local level</p> <p>Customer / Citizen - Strategic</p>	Director RES / Joy Connor
RES/ALL.0075	Resources	All RES Divisions	All RES Sections	<p>Projects</p> <p>Failure to deliver project stated aims within timescale or budget as a result of project management failings</p> <p>Personnel - Operational</p>	All RES Managers
RES/ALL.0077	Resources	All RES Divisions	All RES Sections	<p>Statutory Obligations</p> <p>Breach of statutory obligations through failure of compliance with relevant legislation (e.g. Freedom of Information, Health and Safety, Disability Discrimination)</p> <p>Legal - Operational</p>	All RES Managers

RES/FIN.0019	Resources	Finance	All Finance Sections	<p>Budgetary Controls</p> <p>Systems for identifying and alerting managers on budgetary failures</p> <p>Financial - Operational</p>	Lesley Moore
RES/FIN.0282	Resources	Finance	All Finance Sections	<p>Council Budget</p> <p>Failure to produce and deliver a balanced budget which meets priorities.</p> <p>Greater financial uncertainty to reflect impact of public finances and austerity measures. Reduced income during the current economic period, whilst key service pressures due to demographic and other factors remain.</p> <p>Economic - Strategic</p>	Pete Turner

RES/TEC.0298	Resources	Finance	Technical and Control	<p>Financial Institutions</p> <p>Banking failure</p> <p>Financial - Operational</p>	Martin Reeves
RES/TEC.0299	Resources	Finance	Technical and Control	<p>Pension Fund</p> <p>The Pension Fund does not have sufficient resources to meet all liabilities as they fall due:</p> <ol style="list-style-type: none"> 1. Investment markets fail to perform in line with expectations 2. Market yields move at a variance with assumptions 3. Investment managers fail to achieve their targets over the longer term 4. Longevity horizon continues to expand 5. Deterioration in pattern of early retirements 6. Changes to regulations e.g. more favourable benefits package 7. Administering authority unaware of structural changes in an employer's membership e.g. large fall in employee members, large number of retirements <p>Financial - Operational</p>	Pete Turner
RES/TEC.0300	Resources	Finance	Technical and Control	<p>Treasury Management</p> <p>Failure to manage and control Treasury Management activities:</p> <p>Liquidity, Interest rate, Exchange rate, Inflation, Credit and counterparty, Refinancing, Legal and regulatory risks</p> <p>Financial - Operational</p>	Martin Reeves

RES/TEC.0305	Resources	Finance	Technical and Control	Capital Income Capital income shortfall due to a reduction in capital receipts and delays in disposals as a result of the economic downturn Economic - Strategic	Tracey Pearson
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APPENDIX H

<p style="text-align: center;">Existing Controls and Proposed Actions</p>
<p>Controls:</p> <ol style="list-style-type: none">1. Emergency plan2. Close liaison with Emergency Services3. Liaison with team, periodic refresher training4. Well trained senior spokespeople5. Learning from London Resilience Team, Home Office Guidance etc. <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none">- Regular refresher sessions on communications issues with wider team- Assessment of communications training needs of senior plan officers / spokespeople- Review of resources available to staff communications activities (media, public helplines etc.)
<p>Controls:</p> <ol style="list-style-type: none">1. Programme Board set up chaired by Chief Executive with cross-organisation representatives and monthly monitoring reports <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none">- Closer Member engagement and involvement in OIP process

Controls:

1. Existing financial risk management strategies.
 2. Medium Term Financial Strategy.
-

Actions:

- Monitor and review achievement of savings and their effect.
- Achievement of savings requires changes in planned service activity and staff re-organisation.
- Invoke established HR procedures for managing redundancies and redeployment.
- Investigate potential for sold services.

Controls:

1. Monitor and review Government announcements and plan accordingly.
-

Actions:

- Assess and manage impact and plan accordingly; 16 of the 17 Sec Schools & 15 of the 74 Primary Schools had attained Academy Status by Sept 2012.
 - LBB Finance Officers have modelled the financial implications to enable assumptions to be made about LACSEG loss - this includes ECS functions, HR, Property, Finance and Legal Services.
-

Financial Implications:

- The uncertainty of the actual number of schools becoming academies. There are time delays between being able to reduce expenditure (downsizing of services, HR rules etc.) and the funding being removed from the LA.
- Removal of Revenue Support Grant (RSG) for 2012/13 limited to £1.4m already known about in previous budget rounds. 2013/14 potential top slice remains unclear - current estimates suggest additional £3m will be removed from the budget. Potential that RSG would not accurately reflect the savings that could be achieved or leave sufficient funding for statutory or regulatory functions.
- Potentially huge cuts in RSG and Dedicated Schools Grant (DSG) in 2013/14.
- Issues around further reductions in Council services as a result of this, implications on sold services.

Controls:

1. Housing avoidable contact Project
 2. Continue to focus on preventing homelessness and diversion to alternative housing options
-

Actions:

- Seeking new and alternative forms of temporary accommodation and supply

<p>Controls:</p> <ol style="list-style-type: none"> 1. Key critical systems identified 2. Updating Business Continuity Plan and database (Civil Contingencies Act 2004) 3. Emergency Planning and Business Continuity training <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - Testing and Exercising of BCM Plans by Department now being implemented - Corporate Register now being developed to show Departmental BCM Plans outlining location and its owners, review and exercising dates - Individual service continuity plans to be updated annually - Contractors' BCPs to be checked annually
<p>Controls:</p> <ol style="list-style-type: none"> 1. Notifiable Infectious Disease Protocol in place (with Health Protection Agency) including out of hours provision 2. Flu Pandemic Plan also in place <p>-----</p> <p>Actions:</p>
<p>Controls:</p> <ol style="list-style-type: none"> 1. Emergency Plan <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - Cross discipline trained Local Authority Liaison Officers - Invicta out of hours service - published number and escalation procedure

Controls:

1. HIS contract meetings and smoking cessation performance group
-

Actions:

- Performance reports from the stop smoking service are sent weekly, monthly and quarterly to Public Health.
- Public Health have secured QIPP funding to commission Solutions4Health for additional quitters in 12/13.
- CQUINs for BHC, Oxleas and SLHT have been ratified and we expect to see more referrals into the stop smoking service in Q3&Q4.
- We are also undertaking other workstreams to support smoking quitters i.e. we have secured QIPP funding to incentivise all smoking cessation LES providers to undertake NCSCCT level 1&2 training. This will improve staff performance.
- We are also undertaking a review of NRT and pregnancy, a tobacco prevention health needs assessment and developing a local tobacco control strategy (2012-2015).

Controls:

1. Robust plans are in place, including Outbreak Plan, Flu Plan and Pandemic Flu Plan.
 2. Alert system via the SEL HPU is in place with regular monitoring of reports.
 3. Annual Flu vaccination programme in place.
-

Actions:**Controls:**

1. Areas identified
-

Actions:

- Planning to address impact

Controls:

1. Areas identified
-

Actions:

- Planning to address impact

<p>Controls: 1. Renewal team to proactively seek to broker developer interest</p> <p>-----</p> <p>Actions: - In tandem with the Area Action Plan (AAP) currently being implemented to continue dialogue with interested parties, development agents and consultants</p>
<p>Controls: 1. Systematic consultation 2. Robust internal customer service standards 3. Continuous learning and feedback</p> <p>-----</p> <p>Actions:</p>
<p>Controls: 1. Effective training in project management techniques</p> <p>-----</p> <p>Actions: - Identify key management staff - Through PADS/PRP, identify need for and provide project management training</p>
<p>Controls: 1. Register of all relevant statutory requirements 2. Regular review of compliance 3. Effective training of managers in requirements of relevant legislation</p> <p>-----</p> <p>Actions: - Identify, document and review all relevant statutory requirements - Identify and train all staff responsible for meeting statutory requirements</p>

Controls:

1. Bi-monthly budget monitoring to DMTs, and COE after reporting to service managers. Annual timetable produced, standards agreed and implemented
2. Reports during June to March period with early warnings/key budget areas identified during remainder of year.
3. Escalation routes agreed re overspend areas including option of early reporting to Members
4. Review and continuation of Heads of Finance obtaining 'sign off' budget monitoring statements with managers establishing the robustness of the systems
5. Heads of Finance required to review systems and introduce improvements
6. Monthly monitoring of key budget areas where high risk of volatility in projections e.g. SEN, SS placements, parking income and report impact of economic downturn
7. Budget monitoring reports to include identification of impact on future years
8. Monthly full budget monitoring reports available to budget holders

Actions:

- Formal structures and procedures in place for monitoring and corrective action to minimise risk (Process and structures to be reviewed monthly)
- Implemented changes to monitoring arrangements to support any further structural / accountability changes

Controls:

1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports
2. Departmental risk analysis

Actions:

- Regular reporting of financial forecast updates (at least 3 times a year) to provide an update of financial impact and action required
- Obtain monthly trend / current data to assist in any early action required
- Obtain regular updates / market intelligence

Controls:

1. Annual investment strategy
 2. Review of counterparty list
 3. Monitoring via Sector (external advisors)
 4. CIPFA Treasury Management Code of Practice
-

Actions:

- Quarterly reports to Executive
- Quarterly reports to PDS and Portfolio Holder
- Detailed review of approach
- Intensified monitoring of position
- Adoption of Code of Practice
- Approval of annual strategy by Full Council (February)

Controls:

1. Financial: Monitoring of investment returns - analysis of valuation reports
 2. Demographic: Longevity horizon monitored at triennial reviews - quarterly review of retirement levels
 3. Regulatory: Monitor draft regulations and respond to consultations - actuarial advice on potential where appropriate
 4. Governance: Encourage other employers to keep Council informed of changes. Bromley Mytime employer's contribution rate to be reviewed annually towards end of contract
-

Actions:

- Quarterly reports to Pensions Investment Sub-Committee
- Funding Strategy Statement
- Statement of Investment Principles
- Communications Policy
- Governance Policy
- Triennial valuation by actuary

Controls:

1. Regular strategy meetings
 2. Use of external advisors
 3. Internal Audit review of activities
 4. Reporting to Members
 5. Adoption of CIPFA Treasury Management Code of Practice
-

Actions:

- Periodic reviews of approach in light of economic downturn

Controls:

1. Close monitoring of spend and income
2. Reporting to Members
3. Tight control of spending commitments

Actions:

Report No.
CEO 1213

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 13 March 2013**

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

Title: **ANNUAL INTERNAL AUDIT PLAN 2013/14**

Contact Officer: Luis Remedios, Head of Audit
Tel: 020 8313 4886 E-mail: luis.remedios@bromley.gov.uk

Chief Officer: Chief Executive

Ward: (All Wards);

1. Reason for report

This report informs Members of internal audit plan for 2013-14.

2. **RECOMMENDATION(S)**

Members are asked to comment on the Internal Audit Plan for 2013-14.

Corporate Policy

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

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Recurring Cost:
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £553K including fraud partnership costs of £230K
 5. Source of funding: General Fund plus £19K from sold services: administrative subsidy; administrative penalties; prosecution costs.
-

Staff

1. Number of staff (current and additional): 6.4FTEs including 0.5 FTE risk management post
 2. If from existing staff resources, number of staff hours: 190 days per quarter
-

Legal

1. Legal Requirement: Statutory Requirement Account and Audit Regulations 2011
 2. Call-in: Not Applicable:
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Unable to quantify
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: None

3. COMMENTARY

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

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

3.2 As in previous years the purpose of the Internal Audit Plan is to:

- § Optimise the use of audit resources available, given that these are now limited
- § Identify the key risks facing the Council to achieving its objectives and determine the corresponding level of audit resources
- § Ensure effective audit coverage of high risk areas and a mechanism to provide Members, governors, head teachers and senior managers with an overall opinion on the auditable areas and the overall control environment
- § Add value and support senior management in providing effective control and identifying opportunities for improvement
- § Supporting the Council’s nominated Section 151 Officer
- § Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2011.
- § Reviewing Value for Money arrangements for designated audits in the plan where possible.
- § Allow flexibility to take on fraud and investigation work and participate in any proactive work.

3.3 The Audit Plan coverage is largely aimed at:

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

3.4 For the audit plan covering 2013/2014 the methodology adopted was as follows:

3.5 Consultation with Chief Officers, the Finance Director and other senior officers.

3.6 Use of the directorate risk registers and in particular identifying those risks that had a financial impact.

3.7 Limited use of an audit risk methodology questionnaire that has been modified to take into account monetary/financial values for both income and expenditure; inherent risk factors; Internal Audit and other party perception of the service; complexity of the system; period since the last internal audit or outside inspection; service delivery-shared service, in house or contracted out; risk management assessment.

3.8 Identify any areas that would require audit input as a result of legislation changes e.g. Localism Act, issues arising from audits and audit investigations and specific management requests.

3.9 In comparison to last year we are now proposing that the audit coverage for 2013/14 increase from 775 days to 830 days. In comparison to some London boroughs this is still at the lower end of planned coverage. However, there is capacity to buy in services should there be a need,

where for example the level of investigations increase resulting in pressure in completing the plan. The slight increase in the planned coverage days is explained below.

- 3.10 With effect from August 2012 we carried two vacancies as a result of two of our experienced Principal Auditors being appointed to posts in Royal Borough of Greenwich. The savings in carrying these vacancies were offset by a loss of income from RB Greenwich who no longer required audit services. However, the net effect of these vacancies meant a reduction of 40 days on the audit plan. This will be redressed by the appointment of a part time redeployee to Internal Audit resulting in the 55 additional days in the 2013/14 audit plan.
- 3.11 **Internal Audit and External Audit** – we continue to work closely together at Bromley to ensure the Authority's total audit resource is effectively managed and targeted. Bromley's Internal Audit has maintained a recognised standard of competence and has a long standing protocol with External Audit involving the sharing of audit plans and External Audit placing reliance on the work of Internal Audit.
- 3.12 The plan includes the following audits that are designated fundamental systems where key financial controls need to be covered to allow an opinion on the overall control environment as part of the statutory Annual Governance Statement. These systems include debtors, creditors, payroll, NNDR, pensions, council tax, housing and council tax benefits, treasury management, rent accounts, parking, cash and banking, main accounting system/revenue budgetary control, and fixed assets. These are all included in the attached 2013/14 plan – Appendix A.
- 3.13 The plan proposed has been risk assessed to ensure that all high risk auditable areas are covered off. Therefore, in order to discharge its responsibility, Internal Audit has to focus work on the key fundamental systems and other areas of high risk to the Authority to inform the opinion on the control environment in place. These reviews will continue to inform the Annual Governance Statement that will be required at the end of the year.
- 3.14 A risk based approach has been adopted by both External Audit and Internal Audit, seeking to target audit work on key areas appropriate to our respective roles and to maximise integration of our work. Reference to the External Auditor's plan for financial year 2012/13 appears elsewhere on this agenda.

3.15 **Plan coverage**

3.16 The plan is expected to cover key core deliverables:

- To deliver the statutory requirements of the Accounts and Audit Regulations 2011.
- To provide ongoing assurance to management on the integrity, effectiveness and operation of the Authority's internal control system.
- Delivery of the Annual Audit Plan in particular high risk audit reviews.
- To be responsive to transformational change and service demands.
- To continue to meet the requirements of Bromley's External Auditors.
- To further develop our partnership working relationships.
- To further embed integration of internal audit work with governance and managing risk to produce a clearly coordinated risk-based approach to the audit of business/operational systems across the Authority.
- To ensure agreed management actions to audit recommendations made are fully implemented in particular the high priority ones.
- To continue to develop and have a lead in the Borough's corporate governance arrangements including review and production of the 'Annual Governance Statement' to provide assurance on the Authority's governance arrangements and any areas for improvement.

- To provide an effective reactive corporate counter fraud service in accordance with the Borough's anti fraud and corruption strategy.
- In conjunction with the R B Greenwich continue to be proactive in counter fraud including delivery of comprehensive fraud awareness for staff in the prevention and detecting of fraud and irregularities.
- To continue to develop our role and work closely with the Audit Sub Committee.
- To contribute and support the Value for Money Programme assessment arrangements.
- Carry out any investigation arising from the current NFI 2012 data matching.

- 3.17 Although the internal audit function plays a critical role in assessing the control environment, the conclusion on the statement of control, forming part of the Annual Governance Statement, should be considered based on evidence from a number of sources. These include the External Auditor's reports; the annual internal audit report, which gives an opinion on the system of financial control; reports from other review agencies, such as Ofsted and direct assurances from management responsible for internal controls in particular areas. These direct assurances will be relied on more frequently as the core internal audit resource has reduced in recent years.
- 3.18 The total planned coverage for 2013/14 of 830 days includes core system audits, operational audits across the directorates, schools (excluding academies), a total of 110 days for fraud and investigative work, work in progress carried forward from 2012/13, provision for advice and support and contingency time of 42 days to cover further management requests or further testing that may be required in the event of initial field work indicating major findings.
- 3.19 The audit plan coverage of 830 days is arrived at after deductions for bank holidays, annual leave including carried forward leave, training including professional post entry training, sick leave, liaison with outside bodies including our External Auditors, management time, time spent in servicing this committee and sold services to academies.
- 3.20 The plan as indicated in Appendix A allocates 271 days to the Resources Directorate to reflect responsibility for key financial systems; 284 days to Education and Care Services to reflect merging of children with adults; 73 days to Environmental Services; 27 days to Renewal and Recreation; 40 days to Public Health given the first full year of assuming responsibility; and 110 days for fraud and investigation work including NFI work and monitoring the partnership agreement with RB Greenwich.
- 3.21 Members of this committee had previously agreed a simple methodology for Internal Audit to use in assessing the value for money arrangements for designated areas covered in the audit plan. The basis of using VfM methodology was agreed by members of this Committee and involves scoring VFM arrangements in a range of 1 – 4, with 1 equating to not met and 4 equating to fully met. In the 2013/14 plan, we have provisionally highlighted the following audits that could be subject to VfM arrangements: Temporary Accommodation; Fostering and Adoption; Parks and Greenspace; and Planning.
- 3.22 The individual scope and terms of reference for each audit area is finalised at the time of the audit. A summary of the audits for 2013/14 is attached at Appendix A, with an indication of probable topics to be covered.

3.23 The table below provides a summary of the main types of methodology undertaken.

Summary of Audit Methods and Techniques

Audit Method/Technique	Explanation
Planning	A risk based internal audit plan will be created on an annual basis which will incorporate key risk areas within the Council, in line with strategic and operational risk registers, and the Council's Risk Management Policy. Strategically we will aim to review all operational service areas within a cyclical period not exceeding 3 years, while all business critical systems and high risk areas will be reviewed annually.
Risk-based system audits	One of the main ways that Internal Audit will form a view on the overall control system is by carrying out reviews of the component systems and processes established within respective business entities. These are commonly known as risk-based system audits and will allow Internal Audit to assess the effectiveness of internal controls within each system in managing business risks. Thereby enabling a view to be formed on whether reliance can be placed on the relevant system. This approach will enable resources to be used in a more efficient way, while maximising the benefit which could be derived from it
Compliance/regularity/establishment audits	These audits are intended to assess if systems are operating properly in practice. They are typically site-based (establishment) and focus on the propriety, accuracy and completion of transactions made. The term 'site' includes departments, services or devolved units. The audits may focus on specific systems or cover transactions in all major systems. This will also provide information and evidence about the extent, in practice, of compliance with organisational policies, procedures and relevant legislation.
A combination of self assessment and internal audit testing for schools	Internal Audit carry out the self assessment audits complemented by audit testing of schools to make sure compliance with the schools' financial regulations and to provide an assurance to head teachers and governors.
Key Control Testing	A variation on compliance audit but focusing on a small number of material or 'key' controls that provides assurance on the completeness and adequacy of the Council's accounts. This can provide the basis for External Audit to place reliance on the work of Internal Audit. These audits are on the main accounting systems and processes including debtors, creditors, payroll and income.
Procurement Audit	This will be a strategic assessment of the risks associated with the Council's procurement activities and future plans. Concerned with review of and compliance with the Council's corporate procurement strategy and associated management structures and processes, including the Contract Procedure Rules. This audit will also consider Value for Money aspects and review of cumulative spends.
Control Risk Self Assessment	Facilitating the review by services of their own risks and controls in a structured way, for example, via questionnaires or workshops.
Systems Development Audit	Phased review of developing plans and designs for new systems and processes aimed at identifying potential weaknesses in control during the development stage thus minimising the need for re-

Audit Method/Technique	Explanation
ICT Audit	Specialist review of the control of hardware, software and the ICT environment to evaluate fitness for purpose and security of the ICT environment.
Evidence	All audit findings, conclusions and recommendations will be evidenced on file. Relevant details on which findings and recommendations are based will also be supported by evidence held on file within the Internal Audit Section.
Use of Technology	Internal Audit will employ relevant technology where appropriate when testing systems and when producing working papers and reports. Additionally Internal Auditors will be alert to IT risk in relation to technology utilised within systems under review. We can also use IT for data matching to identify fraud and overpayments.

3.24 Regularity audits including schools

3.25 These audits are undertaken on a rolling cyclical programme, with the frequency of review determined by an assessment of risk, previous audit findings, management requests and are designed to ensure the proper administration of the Authority's affairs. They are, in general, schools and establishment audits where the propriety, accuracy and recording of all transactions, and the proper function of the main systems in operation, are tested by audit staff by means of detailed examination of individual transactions to ensure that there is no impropriety.

3.26 The objective of the audit is primarily to discharge the Finance Director's statutory S151 responsibility but also to provide an assurance to client management on the proper and effective administration of their area of responsibility. This is particularly relevant where the main elements of control are exercised at a local level. The audits will be carried out using a range of standard audit programmes, the most common of which is the self assessment standard programme combined with audit testing for schools. The number of days allocated to schools is 65 days (which will cover 10 schools plus time allowed for follow ups and closure audits for up to 12 schools converting to academy status in 2013/14)) compared to 60 days in 2012/13. This reflects the fact that several schools including most of the secondary schools having chosen to go to academy status and reduction of audit staffing resources. At management's request we have also agreed to audit those schools that have a change in headship. The plan excludes time allocated to the provision of audit services to academies which is treated separately as part of sold services trading account.

3.27 Risk based audits

The audits proposed in the plan involve identifying key risks within the auditable area and the auditor's role, is to the review the internal control system in place to mitigate these risks. This represents agreed best practice from a professional audit service. Conduct of an audit using this methodology will enable us to:

- a) assess how internal controls are operating in a system, thereby forming a view on whether reliance can be placed upon the system
- b) provide management with assurances that systems are adequately meeting the purposes for which they were designed
- c) provide constructive and practical recommendations to strengthen systems and address identified risks

- d) use findings to feed into an overall opinion on the control framework, thereby fulfilling S151 responsibilities
- e) furnish appropriate evidence for External Audit and other review agencies

3.28 Standards

3.29 Internal Audit within Bromley continues to remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgments and recommendations. The reporting lines of the Head of Audit to the Chief Executive, the Audit Sub Committee, the Section 151 Officer who is the Finance Director and updates to the Director of Resources ensures both the independence and impartiality of Internal Audit as well as ensuring a high profile for the service. Furthermore, Internal Audit operates in accordance with the four main ethical principles: integrity, objectivity, competence and confidentiality. In particular:

- All audit staff will make themselves familiar with the strategies, policies and procedures of the Council, in particular the Council's Constitution and Code of Corporate Governance, Financial Procedure Rules, Contract Procedure Rules. Audit planning will be risk based and demonstrate a link to strategic and operational risk assessments.
- Audit also has a comprehensive internal audit manual that acts as a guide for internal auditors.
- The Annual Internal Audit Plan will be reviewed and updated on an ongoing basis to address emerging risks and any significant amendments will be notified and agreed with the Chief Executive and this Committee. Updates on progress are provided to both Audit Sub Committee and Chief Officers.
- The Head of Audit will have direct access to the Chair of this Committee and will be available at the Chairman's request. Audit reviews carried out will comply with the CIPFA Code of Practice for Internal Audit and the Head of Audit will review all files to ensure consistency.
- Auditors will aim to complete all reviews within specified timescales to ensure completion of the audit plan. All reports will be reviewed and authorised at the appropriate level before issue.
- A listing of all recommendations raised will be maintained. A summary of the key Internal Audit recommendations posing a high risk will be reported to each Audit Sub Committee.
- A summary of all audit reports giving details of opinion, number of recommendations and the category of priority i.e. 1, 2 or 3 and type of findings will be reported to this Committee as part of the annual audit report.
- Investigations of suspected fraud and irregularity will be carried out in accordance with Council procedures and relevant good practice/legislation. Such investigations will be undertaken or supervised by staff with relevant knowledge and experience and in liaison with police and other regulatory bodies where relevant. Reference should be made to the Council's Anti-Fraud Corruption Policy and Strategy. Given the level of time spent on fraud and investigations in 2012/13 we have allowed for at least 110 days provision for this purpose. This will be supplemented by the availability of the Royal Borough of Greenwich's Internal Audit and Anti Fraud Team's expertise to assist us with any fraud investigation and in investigating NFI 2012 data matches.

- Internal Audit staff will be appropriately qualified and/or experienced. Adequate training will be offered to staff to close any identified skills gap. Allocation of audit tasks will be in line with staff qualifications and experience.

3.30 All audit staff will ensure they conduct themselves in accordance with the Council’s Code of Conduct and relevant professional standards and codes of ethics. Audit staff have been CRB checked and are required to sign off conflict of interest forms.

4. POLICY IMPLICATIONS

None.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL IMPLICATIONS

6.1 Under Section 151 of the Local Government Act 1972 the Authority is required to make proper arrangements in respect of the administration of its financial affairs.

6.2 The provisions of the Accounts and Audit Regulations 2011 require the Council to maintain an adequate and effective internal audit function.

7. PERSONNEL IMPLICATIONS

Of the 6.4 FTEs in post there will be 5.4 FTEs who will directly be involved in carry out this plan. The 0.5 FTE risk management post and an element of the Head of Audit ‘s time will not be involved in direct audit planned work.

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

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AUDIT PLAN 2013/14 SUMMARY

Department		Total Days
Chief Executives	CEX	25
Resources	RD	271
Education & Care Services	ECS	284
Environmental Services	ENV	73
Renewal & Recreation	R&R	27
Public Health	PH	40
Anti-Fraud Work		110
Total Audit Days		830

Audit	Planned Days	Coverage
Chief Executives		
Essential Car Users	10	Deferred to 2013/14 due to management review of the scheme.
Governance Arrangements	3	Work required for input into Annual Governance Statement
Commissioning	5	Provide advice and support to the commissioning agenda
Advice & Support	2	
Contingency	5	
Total CEX	25	

Audit	Planned Days	Coverage
Resources		
Council Tax Audit	15	Collection/Recovery methods.Cover off key controls such as reconciliations, debt recovery. Also to include local arrangements for Council Tax Support
Creditors-Audit	20	Annual review of creditors. To include sample test to verify goods and services have been received. Cover key controls of reconciliations, correct postings and orders.
Housing Benefit	20	Cover off key controls, overpayments, counter fraud measures including transfer to single fraud service. Review of housing discretionary fund.
NNDR Audit	10	A review of new government arrangements enabling local authorities to retain a percentage of business rates exemptions and rates collected from new businesses.
Cash & Banking	10	To include coverage of collection, security and banking arrangements.Review reconciliations
Pensions Audit	10	Coverage of key controls of reconciliations and performance; review auto enrolment
Payroll-Expenses Audit	15	Coverage of key controls including reconciliation of ledger accounts, accuracy of information held.
Debtors-Income Audit	20	To cover off key controls of reconciliations,postings, debt recovery, credit notes and write offs. Emphasis on covering large and long term outstanding debts, suppressions. To cover all areas of income accept parking.
Treasury Management Audit	5	To cover key controls in relation to Treasury Management on investment register of loans and investments .Review compliance with investment limits
Main A-C System and Revenue Budgetary Control Audit	10	To cover key controls -journals in relation to the Main Accounting System, full budget monitoring and reporting processes.
Social Fund-	15	Two audits- Initial audit of procedures followed by transaction testing
Procurement	15	Review of cumulative spend arrangements; gateway reviews and arrangements for pre contract requirements where expiry periods are imminent.Ensure compliance with Contract Procedure Rules.
Capital Projects	15	To include coverage of procedures, monitoring and management of projects.
Building Maintenance	10	Review of maintenance plan. Sample review of projects undertaken in respect of costs within budgets, variations.
Gifts and Hospitality and Declaration of Interests	5	Corporate review to ensure compliance
Registrars	5	Review of scheme-'Tell us once' for effectiveness.
Staff Car Parking	5	Post review of scheme to charge staff and members
IT Procurement	10	Review of purchasing of IT equipment
Review of Confirm System	10	Review of effectiveness of system
Follow-ups		
Data Security	2	follow-up
Software Licence Management	2	follow-up
Modern.Gov	2	follow-up
Advice & Support	10	
Contingency	15	
Work in Progress b/fwd from 2012/13	15	
Total RD	271	
Fraud and Investigation		

Audit	Planned Days	Coverage
NFI 2012	25	Processing SPD matches and data. Investigations work.
Small Fraud/Investigations	55	Processing and filtering fraud allegations prior to passing to Greenwich Fraud Team.
Greenwich Fraud Partnership	30	Management of the Greenwich Fraud Partnership including new arrangements with the DWP
Total Fraud	110	

Audit	Planned Days	Coverage
Education & Care Services		
Personalised Budgets and Direct Payments	20	Review the system for assessing and setting up a personalised budget. Review the system for direct payments including the payment, recovery of overpayments and monitoring. Evaluate the changes in procedures to escalate direct payments issues
CareFirst	15	Review of the financial controls/budget monitoring, management information and reporting. Assess the timeliness of data input by users. Follow up previous audit findings from associated reviews and investigations, including accuracy of data.
TCES	10	System review of TCES including reconciliation of data and costs, scrap and write offs, pooled arrangements with Health, monitoring of the contract with Medequip and the management reports generated.
Joint Arrangements with Health	10	Review the current arrangements with Health and evidence monitoring for financial and service delivery elements of the signed agreements
Commissioning	15	Review arrangements for managing departmental contracts to evidence compliance to Contract Procedures. Consider extending, varying and retendering existing contracts and the process to award new contracts. Review the procedures to monitor sample contracts including contract meetings and key performance targets
Temporary Accommodation	15	Review the system for placement of B&B, young people and families with no recourse to public funds. Review of ANITE, accuracy and completeness of information, management reports and compliance to agreed procedures. Verify the payment to Landlords, contractual arrangements and budget monitoring.
Behaviour Services	10	Follow up the 2012-13 investigation and carry out establishment visit to Kingswood.
Leaving Care	10	Review and evaluate the system for payment and monitoring of grants.
Children and Families	5	Probity audit to verify the expenditure for the centres.
Fostering and Adoption	10	Review the system to ensure that the payments are made in accordance with the agreed criteria and in line with current legislation. Review the policies and procedures for respite, long term carers and disabled children.
Early Years	10	Review the new procedures for verifying child attendance at early years placements
Looked After Children	10	Review the system to assess placements and review for looked after children, consider timeliness of authorisation and reviews. Evidence that the review is carried out to an acceptable level and performance is monitored.
Phoenix Centre	5	Probity audit to test expenditure, income, asset management and evidence compliance to financial regulations.
Closure of the EDC	5	Review the procedures for EDC closedown and evidence that the agreed programme was complied with including the satisfactory transfer of all assets.
Appointeeships, Deputyships and Contract Burials	10	Review and evaluate the system to manage appointeeship and deputyship clients. Review the system for contract burials and the reconciliation of client accounts.
Adult Education College	5	Annual probity audit
Schools	65	To carry out planned school visits, pre academy closure audits and follow ups
Advice and Support	15	

Audit	Planned Days	Coverage
Work in progress b/fwd from 2012/13	15	
Contingency	10	
	270	
Domiciliary Care	2	follow-up
Charging Policy	2	follow-up
SEN	2	follow-up
Supported Living	2	follow-up
Mental Health	2	follow-up
Learning Disabilities	2	follow-up
Residential Placements	2	follow-up
Total ECS	284	

Environmental Services

Car Parking - Income- multi storey and on street	10	Review and follow-up including key control of reconciliation. Review shared service arrangements as lead authority
Car Parking - PCNs	10	Audit review to ensure that PCNs properly monitored to include collection
Waste services(Street Scene & Green Space)	10	Review of green garden waste service. Review an area of income collection
Street Lighting	10	Coverage to include invest to save
Parks and Green Spaces	10	Follow-up of previous audit recommendations and review aboriculture services
Coroners and Mortuary Service	5	Review of contractual costs and payments.
Carbon Reduction Emissions	5	Annual verification audit
Advice and Support	5	
Contingency	5	
Work in progress b/fwd from 2012/13	3	
Total ENV	73	

Renewal & Recreation

Planning	10	Audit will cover enforcement arrangements
Property Management	10	Review of asset management -cover key controls of valuations, reconciliation of asset register, additions and disposals.
F/up Libraries	2	Follow up
Advice and Support	2	
Contingency	2	
Work in progress b/fwd from 2012/13	1	
Total R& R	27	

Public Health

Contracts and Commissioning	20	To review Local Enhanced Services contracts and other high value, high risk contracts.
Expenditure Processing	10	Assurance audit on payments made for goods and services to be carried out soon after transfer to LB Bromley.
Advice and Support	5	
Contingency	5	
Total PH	40	

Agenda Item 12

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

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Agenda Item 13

By virtue of paragraph(s) 1, 3, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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