



THE LONDON BOROUGH
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DATE: 4 March 2014

To: Members of the
AUDIT SUB-COMMITTEE

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

A meeting of the Audit Sub-Committee will be held at Bromley Civic Centre on
WEDNESDAY 12 MARCH 2014 AT 7.30 PM

MARK BOWEN
Director of Corporate Services

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

A G E N D A

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

2 DECLARATIONS OF INTEREST

3 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 6th March 2014.

**4 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 6TH NOVEMBER 2013
EXCLUDING THOSE CONTAINING EXEMPT INFORMATION (Pages 3 - 6)**

5 MATTERS ARISING (Pages 7 - 10)

6 EXTERNAL AUDIT - ANNUAL AUDIT PLAN 2013-14 (Pages 11 - 42)

7 EXTERNAL AUDIT - ANNUAL CERTIFICATION AUDIT (Pages 43 - 64)

8 ANNUAL INTERNAL AUDIT PLAN 2014/15 (Pages 65 - 82)

9 INTERNAL AUDIT PROGRESS REPORT (Pages 83 - 112)

As requested by the Sub-Committee, an information briefing has been compiled of Internal Audit Reports, comprising recently completed reports and reports from the last three years that included issues where the Council had lost more than £100,000. Further information is provided at section 3.17 of the report and the briefing can be accessed on the Council website via the following link -

<http://cds.bromley.gov.uk/ieListDocuments.aspx?CId=559&MId=4917&Ver=4>

10 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.

	<u>Items of Business</u>	<u>Schedule 12A Description</u>
11	EXEMPT MINUTES OF THE MEETING HELD ON 6TH NOVEMBER 2013 (Pages 113 - 116)	Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.
12	INTERNAL AUDIT FRAUD & INVESTIGATION REPORT (Pages 117 - 144)	Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

.....

AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.30 pm on 6 November 2013

Present:

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

Also Present:

Councillor Robert Evans and Councillor Peter Fookes

49 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

There were no apologies for absence.

50 DECLARATIONS OF INTEREST

Councillor Julian Grainger declared that he had children at Bromley schools.

51 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 6th JUNE 2013 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

RESOLVED that the minutes of the meeting held on 6th June 2013
(excluding exempt information) be confirmed.

52 MATTERS ARISING Report RES13195

The Sub-Committee received a summary of matters arising from previous meetings and considered the following matters in particular –

- Minute 43 - The summary of schools-related audit issues was being issued as a circular to all schools. Councillor Bennett asked that this be copied to Education PDS Committee members.
- Minute 43 – Councillor Grainger reported that the issue of charging for disabled parking bays had not yet been properly addressed by the Parking Working Group; this issue could be added to their next agenda.

53 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

54 ANNUAL AUDIT LETTER & LETTER OF REPRESENTATION
Report CEO1225

The Sub-Committee received the Annual Audit letter from the Council's external auditors, PricewaterhouseCoopers LLP (PWC) summarising its audit work for 2012/13, and the Letter of Representation setting out key undertakings sent out in response by the Director of Finance.

RESOLVED that the Annual Audit letter from PWC and the Letter of Representation from the Director of Finance be noted.

55 INTERNAL AUDIT PROGRESS REPORT
Report CEO1224

The Sub-Committee received a summary of recent Internal Audit activity and commented in particular on the following matters -

(a) Mental Health – Section 117

Section 117 was about ensuring that people detained under certain sections of the Mental Health Act 1983 did not leave hospital without a discharge plan based on decisions by both health and social care staff. As a result of Internal Audit testing one case had been discovered where an error had occurred and the authority had continued to fund care packages for a client when it should not have. The Executive Director of Education, Care and Health Services would be raising the matter with senior managers at Oxleas. A Member suggested enlisting the help of the Council's representative on the Oxleas Council of Governors.

(b) Waivers

Appendix B to the report contained a list of waivers granted between February and September 2013. Further details about some of the waivers had been circulated to Members in response to a request from Councillor Grainger. Members requested more details in the list in future on the reasons for contract extensions.

Many of the waivers were for social care placements, and members were assured that these were not simply rolled over automatically each year. There was a robust process in place before placements were signed off that included consulting the relevant portfolio holder, and there was now a much more market-led approach. Members considered whether PDS Committee should be asked to monitor waivers as they now monitored the Contracts Register, but it was considered more useful for the Sub-Committee to look at

a couple of samples at their next meeting to see what portfolio holders saw. It was also agreed that the Chairman, Vice-Chairman and Head of Audit should liaise over the format of the waivers appendix.

(c) Publication of Internal Audit Reports

The General Purposes and Licensing Committee on 25th September had agreed that all Internal Audit reports should be published in full, except where particular exemptions applied, and the report set out how this would be done in practice. It was proposed that this commence with all reports completed after the current meeting, but Members also sought publication of any reports from the previous three years that included issues where the Council had lost more than £100,000.

(d) Housing Benefit

The proposed move by the DWP towards a Single Fraud Integrated Service meant that the housing benefit fraud service would transfer to them at some point in 2014/15. The council had already given notice to terminate its contract with Greenwich at the end of March 2014, although a waiver would be sought to extend it until the transfer actually took place. After the transfer, resources would still be needed for other areas of anti-fraud work, and this could involve coming to a further arrangement with Greenwich. The Chairman asked officers to monitor how the transfer affected levels of benefit fraud sanctions.

(e) Review of Value for Money (VfM) arrangements

Councillor Grainger suggested that the comparative VfM exercise carried out by CIPFA for the Council in 2008 should be repeated. The Director of Finance reported that although CIPFA had tailored the report to Bromley's circumstances the cost had not been excessive and it was probably possible to commission something similar.

(f) Risk Management

Progress on putting financial values against risks had been delayed by changes in personnel. Members accepted that some risks were very difficult to value.

RESOLVED that

- (1) The content of the Progress Report, including the waivers approved between February and September 2013 and the continuing achievements of the counter fraud benefit partnership with the Royal Borough of Greenwich, be noted.**
- (2) The proposed procedure for publication of Internal Audit reports be approved, but with the addition that reports from the previous three years are published where they refer to cases where more than £100,000 has been lost.**

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

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

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

**57 EXEMPT MINUTES OF THE MEETING HELD ON 6TH JUNE
 2013**

The Sub-Committee approved the exempt minutes of the meeting held on 6th June 2013.

58 INTERNAL AUDIT FRAUD & INVESTIGATION REPORT

The Sub-Committee considered a report updating them on progress with fraud and investigation work.

The Meeting ended at 10.01 pm

Chairman

Agenda Item 5

Report No.
CSD14040

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **12 March 2014**

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 Corporate Services

Ward: N/A

1. Reason for report

- 1.1 To update the Sub-Committee on progress with matters arising from previous meetings. Five matters from the last two meetings are set out referring to audit issues for schools, charges for disabled parking bays, play equipment at Pratts Bottom, care placement waivers and publication of Internal Audit reports.

2. **RECOMMENDATION**

To note progress on matters arising from previous meetings.

Corporate Policy

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

Financial

1. Cost of proposal: No Cost:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Democratic Services
 4. Total current budget for this head: £363,070
 5. Source of funding: 2013/14 revenue budget
-

Staff

1. Number of staff (current and additional): 10 (8.75fte)
 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

Issue & Date	Summary	Action being taken ...	By	Estimated Completion
Annual Audit Report – Schools related issues Minute 43 6 th June 2013 Minute 52 6 th November 2013	Cllr Wells requested that a summary of schools-related audit issues be circulated to Chairmen of Governors. Cllr Bennett requested that this be copied to Education PDS Members	A circular was issued to schools and the information was copied to Education PDS Members in February 2014.	Head of Internal Audit	February 2014
Annual Audit Report – Car Parking Minute 43 6 th June 2013	Members suggested that charging for disabled parking bays should be considered.	This has been considered by the Environment PDS Committee's Parking Working Group and will be added to the next agenda.	Head Of Parking	September 2013
Internal Audit Fraud & Investigation Report Minute 48/1 6 th June 2013	Cllr Grainger requested that expenditure on play equipment at Hookwood Road, Pratts Bottom be investigated.	This issue was included in the sample check. No issues of concern were found and the outcome was reported to Cllrs Grainger and Reddin on 13/2/14.	Head of Audit	February 2014
Internal Audit Progress Report: (b) Waivers Minute 55 6 th November 2013	(i) Sub-Committee to consider sample social care placement waivers at next meeting. (ii) Chairman, Vice-Chairman and Head of Audit to liaise over the format of the waivers appendix.	(i) Sample waivers will be presented at the Sub-Committee's meeting. (ii) The format of the waivers appendix in the report has been amended with two additional columns (see Appendix B to the Progress report)	(i) Assistant Director, Care Services (ii) Head of Audit	March 2013
Internal Audit Progress Report: (c) Publication of Internal Audit reports Minute 55 6 th November 2013	Members sought publication of any reports from the previous 3 years where the council had lost more than £100k.	The first batch of reports has been published in an information briefing attached to this agenda.	Head of Audit/Democratic Services Manager	March 2013

Agenda Item 6

Report No.
CEO 1405

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 12 March 2014**

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

Title: **EXTERNAL AUDIT -ANNUAL 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

Review of the External Auditors' annual plan arrangements for 2013-14.

2. **RECOMMENDATION(S)**

Members are asked to note the External Auditor's arrangements for the Annual Audit Plan 2013-14.

Members are asked to approve the proposed de-minimus level of £650,000 for reporting of differences and misstatements to committee.

Members are also asked to approve the proposed audit fees for 2014/15.

Members are also asked to comment on counter fraud arrangements in the authority.

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: £210K for all audit work in 2013/14
 5. Source of funding: General Fund
-

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

- 3.1 Members are asked to note the External Auditor's attached report on their arrangements for the Annual Audit Plan 2013-14.
- 3.2 Members are also asked to approve the proposed de-minimus level of £650k for reporting differences and misstatements to committee.
- 3.3 Members are also asked to approve the proposed audit fees set out in the report.
- 3.4 Members are also asked to comment on LB Bromley's arrangements to counter fraud.

4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

There is a cost element in auditing the accounts for the financial year 2013-14. The total fee is expected to be £196K.

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:	Policy & Personnel
Background Documents: (Access via Contact Officer)	N/A

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London Borough of Bromley

External Audit Plan 2013/14

Government and
Public Sector

February 2014

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

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement.

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

Executive summary

Background

We have prepared this audit plan to provide the Audit Sub-Committee of London Borough of Bromley (the 'Authority') with information about our responsibilities as external auditors and how we plan to discharge them for the audit of the financial year ended 31 March 2014. Our interim audit work is still underway and should we identify any further risks as part of this we will communicate these to the Audit Sub-Committee and management.

This document also includes our planned audit approach to the audit of the pension fund accounting statements.

Framework for our audit

We are appointed as your auditors by the Audit Commission as part of a national framework contract and consequently we are required to incorporate the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for local government bodies (the 'Audit Code') as well as the requirements of International Standards on Auditing (UK & Ireland) ('ISAs').

The remainder of this document sets out how we will discharge these responsibilities and we welcome any feedback or comments that you may have on our approach.

We look forward to discussing our report with you on 12 March 2014. Attending the meeting from PwC will be Janet Dawson and Katy Elstrup.

Our Responsibilities

Our responsibilities are as follows:

Perform an audit of the accounts and pension fund accounting statements in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).

Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.

Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.

Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.

Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.

Determine whether any other action should be taken in relation to our other responsibilities under the Audit Commission Act.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Our audit engagement begins with an evaluation of the Authority on our 'acceptance & continuance database' which highlights an overall engagement risk score and highlights areas of heightened risk.

Audit approach

Our audit is risk based which means that we focus on the areas that matter. We have carried out a risk assessment for 2013/14 prior to considering the impact of controls, as required by auditing standards, which also draws on our understanding of your business.

We determine if risks are significant, elevated or normal and whether we are concerned with fraud, error or judgement as this helps to drive the design of our testing procedures:

<input type="checkbox"/>	Significant	Those risks with the highest potential for material misstatement due to a combination of their size, nature and likelihood and which, in our judgement, require specific audit consideration.
<input type="checkbox"/>	Elevated	Although not considered significant, the nature of the balance/area requires specific consideration.

The table overleaf highlights all risks which we consider to be either significant or elevated in relation to our audit for the year ended 31 March 2014.

Main Authority Audit

Risk	Categorisation	Audit approach
<p>Management override of controls</p> <p>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p>Significant <input type="checkbox"/></p>	<p>As part of our assessment of your control environment we will consider those areas where management could use discretion outside of the financial controls in place to misstate the financial statements.</p> <p>We will perform procedures to:</p> <ul style="list-style-type: none"> - review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; - test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported deficit/surplus; - review accounting estimates for bias and evaluate whether judgment and estimates used are reasonable (for example pension scheme assumptions, valuation and impairment assumptions); - evaluate the business rationale underlying significant transactions outside the normal course of business; and - perform unpredictable procedures targeted on fraud risks. <p>We may perform other audit procedures if necessary.</p>
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Under ISA (UK&I) 240 there is a 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>Significant <input type="checkbox"/></p>	<p>We will obtain an understanding of revenue and expenditure controls.</p> <p>We will evaluate and test the accounting policy for income and expenditure recognition to ensure that this is consistent with the requirements of the Code of Practice on Local Authority Accounting.</p> <p>We will also perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk.</p>

Risk	Categorisation	Audit approach
<p>Valuation of Investment properties</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>In the prior year, the Authority utilised the expertise of Wilks, Head & Eve LLP (“WH&E”) in evaluating the valuation of the Authority’s investment properties. Our internal valuation experts reviewed the assumptions and methodologies used by WH&E, resulting in several comments.</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>Significant <input type="checkbox"/></p>	<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>

Pension Fund Audit

Risk	Categorisation	Audit approach
<p>Management override of controls</p> <p>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p>Significant <input type="checkbox"/></p>	<p>We will perform procedures to;</p> <ul style="list-style-type: none"> - review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; - test the appropriateness of journal entries; - 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 'unpredictable' procedures. <p>We may perform other audit procedures if necessary.</p>
<p>Valuation of diversified growth funds</p> <p>We are aware that the Authority is considering the diversity of its investment portfolio for its Pension Fund.</p> <p>A portion of the Pension Fund's investments are held in diversified growth funds.</p> <p>These assets tend to be inherently risky to value, include high estimation techniques and are subject to judgement by the fund managers to value the assets.</p>	<p>Elevated <input type="checkbox"/></p>	<p>We will:</p> <ul style="list-style-type: none"> - review the investment portfolio to consider the extent of diversified growth funds held; and - agree the value assigned to the diversified growth funds by the fund managers.

**Overall
Materiality:
£13,066,400**

**Triviality:
£650,000**

**Pension Fund
Overall
Materiality:
£11,680,000**

**Triviality:
£500,000**

Intelligent scoping Materiality

	£
Overall materiality – Main Accounts	13,066,400
Overall materiality – Pension fund	11,680,000
Clearly trivial reporting de minimis – Main Accounts	650,000
Clearly trivial reporting de minimis – Pension Fund	500,000

We set overall materiality to assist our planning of the overall audit strategy and to assess the impact of any adjustments identified.

Overall materiality has been set at 2% of total expenditure for the year ended 31 March 2013. We will update this assessment as necessary in light of the Authority's actual results for the year ended 31 March 2014.

Overall materiality for the pension fund audit has been set at 2% of net assets for the year ended 31 March 2013. We will update this assessment as necessary in light of the Authority's actual results for the year ended 31 March 2014.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are "clearly trivial" i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We would like to seek the Audit Sub-Committee's views on these de minimis thresholds.

Robust Testing

Where we do our work

As previously mentioned our audit is risk based which means we focus our work on those areas which, in our judgement, are most likely to lead to a material misstatement. In summary, we will:

- Consider the key risks arising from internal developments and external factors such as policy, regulatory or accounting changes;
- Consider the robustness of the control environment, including the governance structure, the operating environment, the information systems and processes and the financial reporting procedures in operation;
- Understand the control activities operating over key financial cycles which affect the production of the year-end financial statements;
- Validate key controls relevant to the audit approach; and
- Perform substantive testing on transactions and balances as required.

When we do our work

Our audit is designed to quickly consider and evaluate the impact of issues arising to ensure that we deliver a no surprises audit at year-end. This involves early testing at an interim stage and open and timely communication with management to ensure that we meet all statutory reporting deadlines. We engage early, enabling us to debate issues with you. We have summarised our formal communications plan in Appendix B.

Value for Money work

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes 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 determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

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 capital projects 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.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: “Delivering Good Governance in Local Government”. The AGS is required to be presented by the Authority with the Statement of Accounts.

We will review the AGS to consider whether it complies with the CIPFA / SOLACE “Delivering Good Governance in Local Government” framework and whether it is misleading or inconsistent with other information known to us from our audit work.

Whole of Government Accounts

We are required to examine the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and issue an opinion stating in our view if they are consistent or inconsistent with the Statement of Accounts.

Meaningful conclusions

We believe fundamentally in the value of the audit and that audits need to be designed to be valuable to our clients to properly fulfil our role as auditors.

In designing the Authority audit, our primary objective is to form an independent audit opinion on the financial statements; however, we also aim to provide insight.

Audit value comes from the same source as audit quality so the work that we do in support of our audit opinion also means that we should be giving you value through our observations, recommendations and insights. We have set out some recent developments in Appendix C and we will provide other insights and observations to you in our audit reports throughout the year.

We have also developed a Local Government Centre of Excellence which supports your audit team in all aspects of the audit, including sharing insight and observations gained from audit teams across the country.

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	Management's responsibility	Responsibility of the Audit Sub-Committee
<p>Our objectives are:</p> <ul style="list-style-type: none">• 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.	<p>Management's responsibilities in relation to fraud are:</p> <ul style="list-style-type: none">• 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.	<p>Your responsibility as part of your governance role is:</p> <ul style="list-style-type: none">• To evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate 'tone at the top'; and• To ensure any alleged or suspected instances of fraud brought to your attention are investigated appropriately.

Conditions under which fraud may occur



Your views on fraud

We enquire of 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?

Your PwC team

The individuals in your PwC team have been selected to bring you extensive audit experience from working with Local Authorities and the wider public sector. We also recognise that continuity in the audit team is important to you and the senior members of our team are committed to developing longer term relationships with you.

The core members of your audit team are:

Audit Team	Responsibilities
<i>Engagement Leader</i> Janet Dawson 02072 135 244 janet.r.dawson@uk.pwc.com	Janet is responsible for independently delivering the audit in line with the Audit Code (including agreeing the Audit Plan, ISA 260 Report to Those Charged with Governance and the Annual Audit Letter), ensuring quality of outputs and signing opinions and conclusions.
<i>Engagement Director</i> Katy Elstrup 02072 133070 katy.elstrup@uk.pwc.com	Katy is responsible for overall control of the audit engagement overall review of audit outputs, being the completion of the Audit Plan, ISA 260 Report and Annual Audit Letter.

Engagement Manager

Charlie Martin
07732 864 402
charles.martin@uk.pwc.com

Charlie will manage the assignment, taking responsibility for ensuring delivery to timetable, and delivery and management of targeted work.

Team Leader – Main audit

Gavin Patti
07717 528 304
gavin.m.patti@uk.pwc.com

Gavin will be responsible for leading the field team for the main Authority audit, including the audit of the statement of accounts, and governance aspects of our work. He will undertake regular liaison with the finance team.

Team Leader – Pension Fund

David Hagger
07756 028 236
david.j.hagger@uk.pwc.com

David will be responsible for leading the field team for the Authority's Pension Fund. He will undertake regular liaison with the finance team.

Your audit fees

The Audit Commission has provided indicative scale fees for Local Authorities for the year ended 31 March 2014. No changes to the work programme have been proposed therefore scale audit fees for have been set at the same level as the fees applicable for 2012/13.

Our indicative audit fee, as agreed in our audit fee letter dated 22 April 2013, compared to the actual fee for 2012/13 is as follows:

Audit fee	Actual fee 2012/13 £	Indicative fee 2013/14 £
Audit work performed under the Code of Audit Practice	156,168	156,168
- Statement of Accounts		
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources		
- Whole of Government Accounts		
Pension Fund	21,000	21,000
Certification of Claims and Returns	33,485*	19,500
Total Audit Code work	210,653**	196,668

* Proposed additional costs of £10,235 accepted by management and the Audit Commission in respect of the 2012/13 certification of claims and returns, specifically BENo1 and PENo5, are included.

** The total fee for 2012/13 does not include the work currently underway to respond to an objection to the 2012/13 accounts raised via a local elector. At the time of presenting this report, the total cost to date for this work is £15k.

We have based the fee level on the following assumptions:

- There is no significant deterioration in the efficiency of the accounts production process. This includes the Authority being able to provide a complete and thorough set of working papers and other agreed deliverables at the start of our work;
- We do not review more than 3 iterations of the Statement of Accounts;
- There is no significant deterioration in the Authority's control environment, and we are therefore able to draw comfort from the management controls within the Authority as in the previous year;
- There are no changes in auditing standards which impact on the level of work we need to undertake.
- No significant changes being made by the Audit Commission to the local value for money work requirements; and
- Our value for money conclusion and accounts opinion being unmodified.

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

Appendices

Appendix A: Independence threats and safeguards

At the beginning of our audit process we are required to assess our independence as your external auditor. We have made enquiries of all PwC teams providing services to you and of those responsible in the UK Firm for compliance matters and we have set out below the relationships that, in our professional judgement, may be perceived to impact upon our independence and the objectivity of our audit team, together with the related safeguards.

Other services

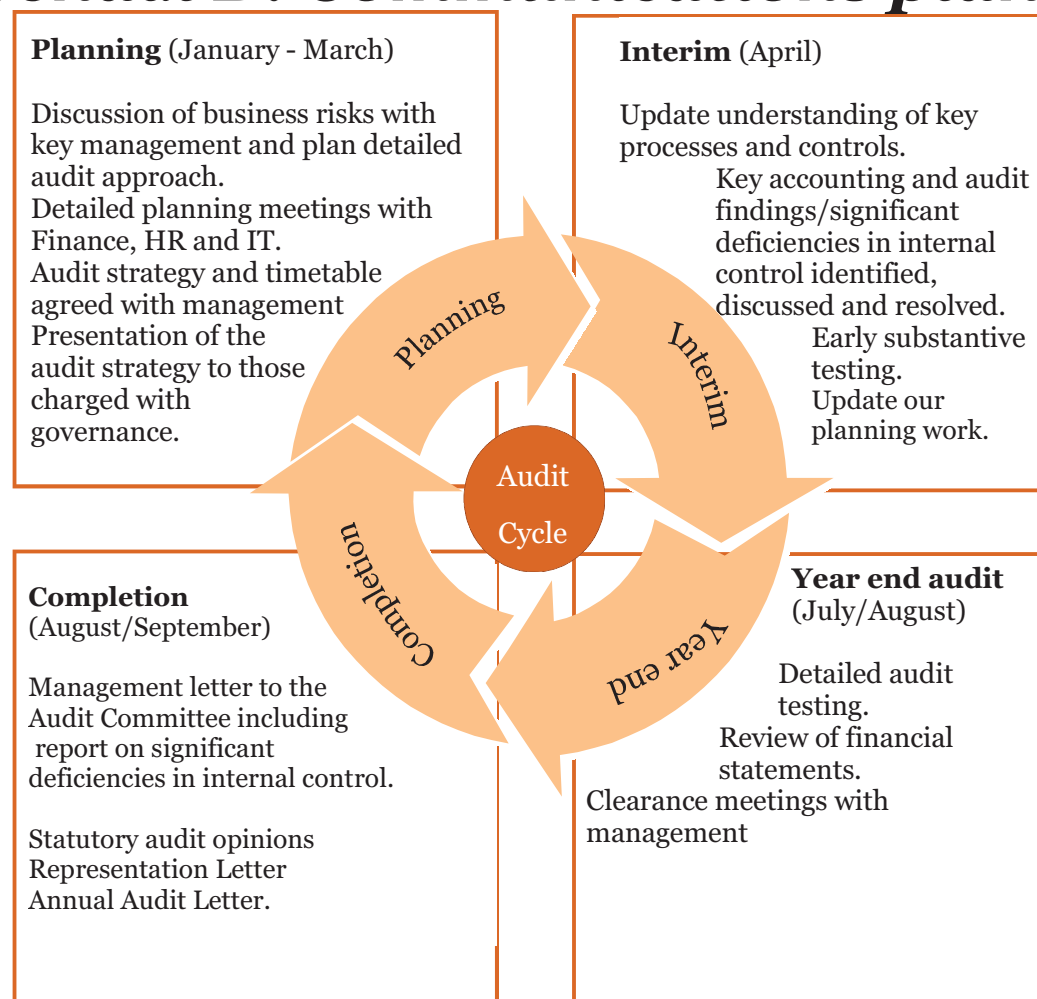
Support provided by PwC	Value (£)	Threats to independence and safeguards in place
Certification of claims and returns	19,500	<p>Self Review Threat: The audit team will conduct the grant certification and this has arisen due to our appointment as external auditors.</p> <p>There is no self review threat as we are certifying management completed grant returns and claims.</p> <p>Self Interest Threat: As a firm, we have no financial or other interest in the results of the Authority.</p> <p>We have concluded that this work does not pose a self interest threat.</p> <p>Management Threat: PwC is not required to take any decisions on behalf of management as part of this work.</p> <p>Advocacy Threat: We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat.</p> <p>Familiarity Threat: Work complements our external audit appointment and does not present a familiarity threat.</p> <p>Intimidation Threat: We have concluded that this work does not pose an intimidation threat as all officers and members have conducted themselves with utmost integrity and professionalism</p>

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.

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

Appendix B: Communications plan



Continuous Communication

- Continuous proactive discussion of issues as and when they arise; 'no surprises'
- Continuous evaluation and improvement of the audit
- Bringing you experience of sector and best practice

Appendix C: Recent developments

The Future of Government



Delivering on the Citizen Promise

In the face of recurrent budget cuts to reduce fiscal deficits in many countries, affordable government has become the watchword. This means doing more for less – meeting rising citizens' expectations by doing things differently to deliver services more effectively and efficiently.

Where Next for public services?

Public sector organisations need to re-evaluate their purpose and role and decide if current visions and missions, and ways of operating to achieve them, are relevant enough to ride the waves of these shifts, or be overwhelmed by them.

Government and public sector organisations will also need to respond to these shifts proactively and pre-emptively, to avoid falling one or more steps behind.

What guides and shapes the future public body?

As such, tomorrow's public bodies need to navigate themselves by first formulating a strong and clear vision and mission. Together, these will capture the organisation's

strategic ambition and purpose and serve to influence decisions and behaviour within the organisation.

The Local State We're In



Over the past few years, local government has demonstrated its ability to deliver ambitious and far reaching savings programmes. While Authority Chief Executives are still holding on to their confidence in meeting savings targets for 2013/14, our third annual local government survey shows that confidence in being able to protect services as well has fallen by 40% over the past year. Beyond 2013/14, confidence in meeting savings targets falls further.

Tough choices are ahead as the cracks begin to show and decisions get closer to the frontline. Authorities need to act urgently to transform themselves into agile organisations and shape a role for themselves through a future of continued austerity.

Appendix D: Audit quality

Quality is built into every aspect of the way that we deliver the Authority audit. We take great pride in being your auditors and in the value of assurance that the audit opinion provides. A timely, independent and rigorous audit is fundamental. This in turn necessitates getting the basics right – clarity on audit risks, scope, resource, timetables, deliverables and areas of judgement – which is supported by our team that has extensive experience and relevant training.

The table below sets out some of the key ways in which we ensure we deliver a high quality audit.

Procedure	Description
People	Quality begins with our people. To ensure that every engagement team provides quality, we use carefully designed protocols for recruiting, training, promoting, assigning responsibility and managing and overseeing the work of our people. We invest significant amounts of time and money for the training and development of our audit professionals. Every new team member is carefully selected to ensure they have the right blend of technical expertise and industry experience to support the Authority audit.
Client acceptance and retention	Our client acceptance and retention standards and procedures are designed to identify risks of a client or prospective client to determine whether the risks are manageable.
Audit methodology	The same audit methodology is used for all Local Authority audit engagements, thereby ensuring uniformity and consistency in approach. Compliance with this methodology is regularly reviewed and evaluated. Comprehensive policies and procedures governing our accounting and auditing practice – covering professional and regulatory standards as well as implementation issues – are constantly updated for new professional developments and emerging issues, needs and concerns of the practice.
Technical consultation	Consultations by engagement teams, typically with senior technical partners unaffiliated with the audit engagement, are required in particular circumstances involving auditing, accounting or reporting matters including matters such as going concern and clinical quality issues. In addition, we regularly consult with our industry specialists in the Local Government Centre of Excellence and our accounting technical experts that sit on the Audit Commission Auditors' Group.

Procedure	Description
Technical updates	<p>PwC prepares numerous publications to keep both PwC staff and our clients abreast of the latest technical guidance.</p> <p>These include:</p> <ul style="list-style-type: none"> • A weekly publication covering the week's accounting and business developments; • A periodic publication providing in-depth analysis of significant accounting developments; and • A publication issued shortly after meetings of standard setters, including IFRIC and the EITF, to provide timely feedback on issues discussed at the meeting. <p>We also provide Local Government specific technical updates through regular publications issued by our Local Government Centre of Excellence and weekly conference calls for all Local Authority engagement teams during the final audit period. We will share our technical updates with you throughout the year.</p>
Independence standards	<p>PwC has policies and systems designed to comply with relevant independence and client retention standards. Before a piece of non-audit work can begin for the Authority, it must first be authorised by the engagement leader who evaluates the project against our own internal policies and safeguards and against your policy on non-audit services. Above a certain fee threshold, we then seek approval from the Audit Commission before proceeding with any work.</p>
Ethics	<p>Our Ethics and Business Conduct Programme includes confidential communication channels to voice questions and concerns 24 hours a day, seven days a week. Confidentiality helps us to ensure that we receive the candid information and that we respond with the appropriate technical and risk management resources.</p>
Independent review	<p>Our audits are subject to ongoing review and evaluation by review teams within PwC and also by the Audit Quality Review Team (AQRT, formerly the Audit Inspection Unit). The most recent report on PwC was issued in May 2013 and although there are some areas for development identified the general theme was that audit quality has continued to improve. The firm has developed action plans for all areas for development identified by the AQRT.</p> <p>As auditors appointed by the Audit Commission we are also required to comply with their annual Regulatory Compliance and Quality Review programme. The results for our 2012/13 audits are expected in early 2014 and will be publicly available on the Audit Commission's website should you wish to take a look.</p>

Smart People

We deploy quality people on your audit, supported by a substantial investment in training and in our industry programme. The members of staff deployed on your audit have been primarily taken from our dedicated Government and Public Sector team. These staff members have a wide and deep knowledge both of the Authority and the local government sector.

Key members of the audit team including the engagement leader, engagement director, engagement manager and team leader have been involved in the audit of the Authority in prior years. This ensures continuity which is beneficial both for our people and your audit through ensuring that accumulated knowledge remains within the audit team, improving the quality of the audit we deliver.

We use the following dedicated teams:

- IT specialists to assist in the audit and share their insight and experience of best practices with you;
- Valuation experts to assist on the audit in assessing the methods and assumptions used in the valuation report; and
- Pension specialists to assist on the audit in assessing the appropriateness of the general Local Government Pension Scheme assumptions.

Smart Approach

Data auditing

We use technology-enabled audit techniques to drive quality, efficiency and insight.

In 2013/2014 we anticipate the work will include:

- Testing manual journals using data analytics, ensuring we consider the complete population of manual journals and target our detailed testing on the items with the highest inherent risk.
- The production of a journals 'insight report' which shows the comparable use of journals across the organisation and explores some of the root causes. We use the data gathered as part of our journals testing to share our findings and observations with management.

Centre of Excellence

We have a Centre of Excellence in the UK for Local Government which is a dedicated team of specialists which advises, assists and shares best practice with our audit teams in more complex areas of the audit.

Our team has been working side by side with the Centre of Excellence to ensure we are executing the best possible audit approach.

Delivery centres

We use dedicated delivery centres to deliver parts of our audit work that are routine and can be done by teams dedicated to specific tasks; for example these include confirmation procedures, preliminary independence checks and consistency and casting checks of the financial statements.

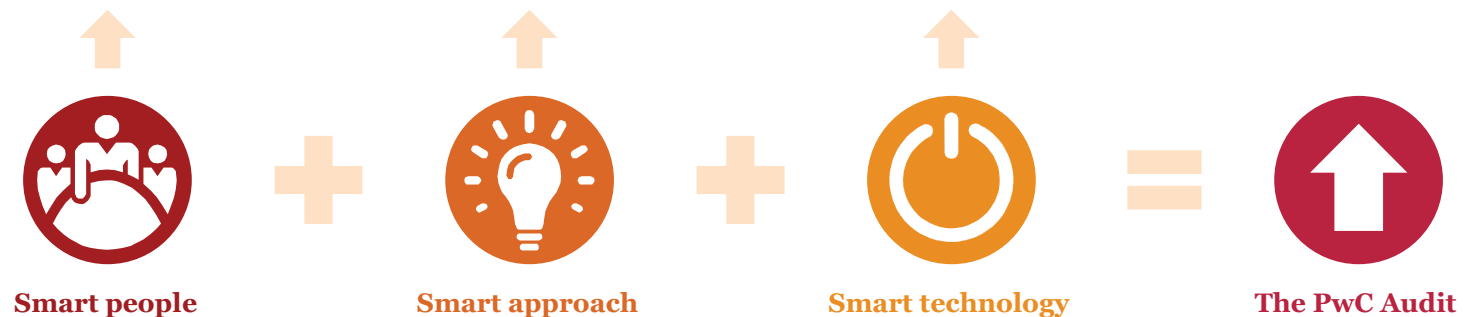
The use of our delivery centres frees up your audit team to focus on other areas of the audit.

We have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service delivery Centres in India and Poland for the facilitation of basic audit tasks, as highlighted earlier. We have also agreed with the Audit Commission how this will be regulated, together with their independent review of our internal processes to ensure compliance, with the Audit Commission requirements for off-shoring. Further information is included in Appendix E.

Smart Technology

We have designed processes that automate and simplify audit activity wherever possible. Central to this is PwC's Aura software, which has set the standard for audit technology. It is a powerful tool, enabling us to direct and oversee audit activities.

Aura's risk-based approach and workflow technology results in a higher quality, more effective audit and the tailored testing libraries allow us to build standard work programmes for key Authority audit cycles.



Our 'smart' approach underpins your audit

Appendix E: Other engagement information

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

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

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

Electronic communication

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

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

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

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

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

Access to audit working papers

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

Overseas processing of information

Recently, as with other firms, we have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service Delivery Centres in India and Poland for the facilitation of basic audit tasks. Please refer to the letter at the end of this Appendix for further information on the types of tasks we may off-shore. We confirm that:

- When work is off-shored the firm delivering the audit remains entirely responsible for the conduct of the audit. As such the data will be subject to similar data quality control procedures as if the work had not been off-shored, maintaining the security of your data.
- All firms within the PricewaterhouseCoopers network, including the PwC Service Delivery Centres, have signed an intra-group data protection agreement which includes data protection obligations equivalent to those set out in the EU model contract for the transfer of personal data to data processors outside of the European Economic Area.
- We shall comply at all times with the seventh principle in Part 1 of Schedule 1 to the Data Protection Act 1998.
- Your audit team members will remain your key audit contacts, you will not need to communicate with our overseas delivery teams.
- The audit team members are responsible for reviewing all of the work performed by the overseas delivery teams.
- We already successfully use a UK based delivery centre for financial statements quality checks and that this service will remain in the UK.

If you have any questions regarding this process or if you require further information then please contact Janet, Katy or Charlie.

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 Richard Bacon, our Government & Public Sector Assurance Lead Partner at our office at Cornwall Court, Birmingham, B3 2DT, 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.

Events arising between signature of accounts and their publication

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

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



Private & Confidential

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

12 March 2014

Dear Ladies and Gentlemen,

Working more efficiently

As you know the Audit Commission recently tendered the audit work previously delivered by the District Audit service. This realised significant savings which have been passed on to your organisation in a reduction to your scale fee of around 40%.

As a result of this tender, suppliers have sought for opportunities to increase efficiency, whilst maintaining the level of quality. One principle which has recently been established is that certain basic parts of the audit can be off-shored. This is common practice in the private sector. When work is off-shored the firm delivering the audit and thus your audit team, remains entirely responsible for the conduct of the audit. As such the data would be subject to similar data quality control procedures as if the work had not been off-shored, maintaining the security of your data.

Examples of the work that can be off-shored are:

- Request for confirmations (Receivables, Bank or Payables);
- Verification/vouching of information to source documentation (e.g. agreeing a payable balance to invoice);
- Financial statements review;
- Mathematical accuracy checks of data;
- Research; and
- Preparation of lead schedules.

Recently, as with other firms, we have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service delivery Centres in India and Poland for the facilitation of basic audit tasks, as highlighted above. We have agreed

London Borough of Bromley

PwC • 24

with the Audit Commission how this will be regulated, together with their independent review of our internal processes to ensure compliance, with the Audit Commission requirements for off-shoring.

If you have any questions regarding the above, please do not hesitate to get in touch.

Yours faithfully,

Janet Dawson

Engagement Leader



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 document has been prepared only for The London Borough of Bromley and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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130610-142627-JA-UK

Agenda Item 7

Report No.
CEO 1406

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 12 March 2014**

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

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

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 certification for 2012/13.

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: £210K for all audit work in 2013/14
 5. Source of funding: LBB Funding
-

Staff

1. Number of staff (current and additional): Not Applicable
 2. If from existing staff resources, number of staff hours: Not Applicable
-

Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Not Applicable:
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not Applicable
-

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 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.
- 3.2 Members are also asked to consider the adequacy of the proposed management action plan for 2012/13 set out in Appendix B and the adequacy of progress made in implementing the 2011/12 action plan in Appendix C.

4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

The audit fee for this work is £33,485 and is part of the £210k of the overall fee expected to be paid to the external auditor in 2013/14.

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:	Policy & Personnel
Background Documents: (Access via Contact Officer)	None

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Annual Certification Report to those charged with governance 2012/13

London Borough of Bromley

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

February 2014

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

21 February 2014

Our Reference: LBB 2012/13

Ladies and Gentlemen

Annual Certification Report (2012/13)

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 London Borough of Bromley in 2012/13.

We have also summarised our fees for 2012/13 certification work in Appendix A.

Results of Certification work

For the period ended 31 March 2013, we certified three claims and returns worth a final net total of £236,442,336. Of these, two required qualification letters to set out matters arising from the certification of the claim or return and one was amended. We have 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.

*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*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

We ask the Audit Sub-Committee to consider:

- the adequacy of the proposed management action plan for 2012/13 set out in Appendix B, and
- the adequacy of progress made in implementing the 2011/12 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 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 in the table below. In two cases qualification letters were required to set out matters arising from the certification of the claim/return and amendments were required to be made to claims /returns as set out in the table below. Fee information for the claims and returns is summarised in Appendix A.

Claims and returns certified in 2012/13

CI Reference	Scheme Title	Form	Original Value (£)	Final Value (£)	Amendment	Qualification
BEN01	Housing and Council Tax Benefits Scheme	MPF720A	145,704,178	145,699,834	Yes	Yes
LA01	National Non Domestic Rates Return	NNDR3	81,599,811	81,599,811	No	No
PEN05	Teachers' Pension Return	EOYCd	9,142,691	9,142,691	Yes*	No*

*A qualification letter was required to be sent to the Teachers Pensions setting out amendments required to the certified return.

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

Our testing identified four errors that were reported to the Department for Work and Pensions (DWP) in a qualification letter.

One amendment was required to the claim that resulted in a decrease in the claim value of £4,344.

Teachers' Pension return

A tiered contribution system was implemented in 2012/13 for the first time in accordance with the pension regulations for teachers. This increased the inherent complexity in the preparation of the return.

We reported two matters requiring amendment to the Teacher's Pension Agency as the Authority was unable to amend the return for these.

National Non-Domestic Rates return

No issues noted.

Prior year recommendations

We have reviewed progress made in implementing the certification action plan for 2012/13. 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	2012/13 Indicative Fee * (£)	2012/13 Variation * (£)	2012/13 Forecast outturn Fee (£)	2011/12 Final Fee (£)	Comment
BEN01 Housing and Council Tax Benefits Scheme	16,500	8,575	25,075	27,500	Variation required covering the cost of performing additional work regarding issues identified in 2012/13 and in relation to the satisfactory clearance of issues carried forward from the prior year. As a result, amendments to be made to the claim needed to be agreed.
LA01 National Non Domestic Return ("NNDR")	3,750	0	3,750	6,250	
PEN05 Teacher's Pension Return	3,000	1,660	4,660	5,000	<p>The terms and conditions of the return changed significantly as a "tiered contribution" rates system was implemented in 2012/13 for the first time.</p> <p>This increased the complexity of the preparation and certification of the return.</p> <p>Our initial sample of 25 teachers included four teachers that were in receipt of maternity pay. However, the Authority did not take this into account when banding teachers into the appropriate category.</p> <p>Additional testing was therefore performed over the remaining population of 79 teachers in receipt maternity pay to identify the extent of the error. A further 36 teachers were identified.</p>
Total	23,250	10,235	33,485	38,750	

These fees reflect the Authority's current performance and arrangements for certification.

It should be noted that the Audit Commission updated the fee approach for certification in 2012/13. This applied a 40% discount to the 2010/11 billed fee. Fees above this level are required to be agreed with the Audit Commission.

The variances set out above have arisen due to the increased amount of testing needed to address the errors identified from the testing undertaken. The indicative fee set assumes no errors will be identified during the testing. We have agreed the variances above with the Audit Commission and with management.

Appendix B

2013/14 Management Action Plan

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)
Housing and Council Tax Benefit Scheme (BEN 01) (30/11/2013)	From our initial sample of 60 cases we identified five case failures in respect of errors in the entry of income tax paid, the classification of council tax overpayments in relation to students, incorrect input of the underlying rent liability and errors in the input of National Insurance rates. These failures resulted in further testing being performed and reported upon as well as amendments to the claim form.	While the issues noted were relatively minor in the context of the complexity of the BEN01 claim, we recommend that the Authority continues its programme of training officers regularly, to minimise the possibility that errors occur in future.	Officers have received refresher training in the specific areas that were identified during testing. This is in addition to the continual programme of training that is provided to both new and established staff. Checking of benefit calculation is part of the daily accuracy monitoring undertaken by the Benefit Monitoring team.	Jayne Carpenter Completed
Teachers Pensions (PEN 05) (29/11/2013)	Testing of an initial sample of 25 teachers' salaries identified four where the incorrect salary banding had been applied due to the teacher being on statutory maternity pay. The Authority was able to identify all teachers that were on statutory maternity pay during the year and checked the salary bandings applied. The Authority identified a further 36 exceptions out the 79 cases identified.	We recommend that Liberata ensures that it reviews the contribution rates applied on a periodic basis to ensure that these are accurate.	Following the audit of the Teachers Pension Scheme 2012-2013, Liberata have designed an action plan to address the issues identified. All of the issues raised during the review were around the contributions calculated for Teachers on maternity leave, or where they had returned from maternity leave. The action plan includes: <ul style="list-style-type: none"> • Full and comprehensive re-training for the Payroll Team on the correct process to follow when a Teacher commences maternity leave. This training to also highlight the implications on member contributions if the correct procedure for attaching the relevant pay elements is not used. • In relation to the above point, re-training on the procedure to follow where 	Martin Simpson 3/3/14

Claim/Return Issue (deadline)	Recommendation	Management response	Responsibility (Implementation date)
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- | | | | |
|--|--|--|--|
| | | <p>attaching pay elements for a Teacher who returns from Maternity leave.</p> <ul style="list-style-type: none"> • A new monthly checking report to include all Teachers FTE salary and the associated salary band that has been operated. This report will be run directly after the monthly re-banding process and will be checked to assess that the correct banding has been applied, with any amendments to be made in the current payroll cycle if any records are found to be incorrect. | |
|--|--|--|--|

Appendix C

2012/13 Management Action Plan – Progress made

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)	Recommendation status
Housing and Council Tax Benefit Scheme (BEN01) (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	Implemented

Claim/Return (deadline)	Issue	Recommendation	Management response	Responsibility (Implementation date)	Recommendation status
Housing and Council Tax Benefit Scheme (BEN01) (30/11/12)	<p>Testing of the initial sample for Rent rebates (Tenants of Non-HRA 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>The Authority should ensure that the correct rent rate is used considering where the property is located.</p> <p>The Authority should ensure that the correct earned income is calculated.</p>	<p>The Department who is responsible for inputting the rents figures has been advised 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>	Jayne Carpenter	Implemented
Teachers Pensions (PEN05) (30/11/12)	<p>Testing of the Teacher's Pension Return noted two issues:</p> <ol style="list-style-type: none"> 1) 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. 2) 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	Implemented

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.

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 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.

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Agenda Item 8

Report No.
CEO 1402

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 12 March 2014**

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

Title: **ANNUAL INTERNAL AUDIT PLAN 2014/15**

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 2014-15.

2. **RECOMMENDATION(S)**

Members are asked to comment on the Internal Audit Plan for 2014-15.

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: Internal Audit
 4. Total current budget for this head: £552k including £250k net cost for fraud partnership.
 5. Source of funding: General fund, Admin subsidy, Admin penalties, Legal cost recoveries & Provision of sold services to Academies
-

Staff

1. Number of staff (current and additional): 6.4 FTE including 0.5FTE to cover risk management
 2. If from existing staff resources, number of staff hours: 210 days per quarter
-

Legal

1. Legal Requirement: Statutory Requirement
 2. Call-in: Not Applicable:
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 130 including Chief Officers, Head Teachers and Governors
-

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 The current Public Sector Internal Audit Standards defines Internal Audit as:

‘Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’

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.
- § Assist external audit in forming an opinion on the annual audit of the financial statements by placing reliance on the work of Internal Audit.

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 2014/2015 the methodology adopted was as follows:

- § Consultation with Chief Officers, the Director of Finance and other senior officers.
- § Use of the directorate risk registers and in particular identifying those risks that had a financial impact.
- § Ensuring that the plan covers all fraud risks as identified in the Audit Commission’s ‘Protecting the Public Purse’.
- § 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.

§ Identify any areas that would require audit input as a result of legislation changes, government funding requirements e.g. Troubled Families, issues arising from audits and audit investigations and specific management requests.

- 3.5 In comparison to last year we are now proposing that the audit coverage for 2014/15 increase from 830 days to 885 days. In comparison to some London boroughs this is still at the lower end of planned coverage. However, as in 2013/14 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.
- 3.6 **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.
- 3.7 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 2014/15 plan – Appendix A.
- 3.8 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 current financial year.
- 3.9 We liaise with External Audit 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 2013/14 appears elsewhere on this agenda.

3.10 Plan coverage

- 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 where appropriate the Value for Money Programme assessment arrangements.
- Carry out any investigation arising from the flexible/mortality NFI data matching.
- Adequate coverage is offered to schools still under LB Bromley responsibility including closure audits.

- 3.11 Although the internal audit function plays a critical role in assessing the control environment, the conclusion on the statement of internal 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.
- 3.12 The total planned coverage for 2014/15 of 885 days includes core system audits, operational audits across the directorates, schools (excluding academies), a total of 95 days for fraud and investigative work, work in progress carried forward from 2013/14, provision for advice and support and contingency time of 92 days to cover further management requests or further testing that may be required in the event of initial field work indicating major findings.
- 3.13 The audit plan coverage of 885 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.
- 3.14 The plan as indicated in Appendix A allocates 335 days to the Chief Executives Department to reflect responsibility for key financial systems, IT, Legal, Property Services and HR; 293 days to Education and Care Services including schools; 37 days to Public Health; 90 days to Environmental Services; 35 days to Renewal and Recreation; and 95 days for fraud and investigation work including NFI work and monitoring the partnership agreement with RB Greenwich.
- 3.15 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 had provisionally highlighted the following audits that could be subject to VfM arrangements: Temporary Accommodation; Fostering and Adoption; Parks and Greenspace; and Planning. Three of these i.e. Temporary Accommodation Fostering and Adoption and Planning we propose rolling forward as we have had to dedicate the time allocated on the plan to either investigative, follow up work or the section has been subject to a recent re-organisation.
- 3.16 The individual scope and terms of reference for each audit area is finalised at the time of the audit. A summary of the audits planned for 2014/15 is attached at Appendix A, with an indication of probable topics to be covered.

3.17 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. This will cover 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. This has not been utilised as was previously envisaged due to time input requirements from both auditees and auditors given reducing staff resources.

Audit Method/Technique	Explanation
Systems Development Audit	Phased review of developing plans and designs for new systems and processes aimed at identifying potential weaknesses in control during the development stage thus minimising the need for re-working.
ICT Audit	Specialist review of the control of hardware, software and the ICT environment to evaluate fitness for purpose and security of the ICT environment.
Evidence	All audit findings, conclusions and recommendations will be evidenced on file held online. 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.

3.18 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.

3.19 Changes that have resulted in input to the 2014/15 plan:

- § Allocation of time to cover commissioning agenda that may impact on the plan
- § Government requirements e.g. Troubled Families where there is an requirement that Internal Audit review outcomes for grant funding
- § Schools converting to Academies –closedown audits
- § Emerging risks that can result in losses through fraud or overpayments e.g. insurance fraud in 2013/14 requires that this service is audited this year.
- § Management concerns that could arise hence the need for a small amount of contingency time.
- § Transfer of benefit fraud to the DWP –Single Fraud Investigation Service may impact on the plan (although the date of transfer is still unknown).

3.20 Regularity audits including schools

3.21 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.

3.22 The objective of the audit is primarily to discharge the Director of Finance'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 60 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 2014/15)) compared to 65 days in 2013/14. (See Appendix B). This reflects the fact that several schools including all but one secondary school have 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.

3.23 Risk based audits

The audits proposed in the plan involve identifying key risks within the auditable area and the auditor's role is to 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

3.24 Standards

3.25 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 Director of Finance and updates to the Director of Corporate Services 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 Regulations, 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 2013/14 and NFI 2014 data gathering requirements we have allowed for at least 95 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.
- Internal Audit staff will be appropriately qualified and 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.
- Going forward all finalised Internal Audit reports except those where exemptions apply, will be published.

3.26 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. Internal 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 at least 5.4 FTEs who will directly be involved in carrying 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)	[Title of document and date]

AUDIT PLAN 2014/15 SUMMARY

Department		Total Days
Chief Executives Excluding Finance and IT	CEX	64
Chief Executives -Finance and IT	RD	271
Education & Care Services	ECS	293
Public Health	PH	37
Environment and Community Services	ENV	90
Renewal & Recreation	R&R	35
Anti-Fraud Work		95
Total Audit Days		885

AUDIT PLAN 2014/15 SUMMARY

Department		Total Days
Chief Executives Excluding Finance and IT	CEX	64
Chief Executives -Finance and IT	RD	271
Education & Care Services	ECS	293
Public Health	PH	37
Environment and Community Services	ENV	90
Renewal & Recreation	R&R	35
Anti-Fraud Work		95
Total Audit Days		885

Audit	Planned Days	Coverage
Chief Executives Directorate-excluding Finance and IT		
Merit Pay/ PRP	5	To test compliance and fairness of criteria for making payments to staff
Adeco/Agency workers	10	To test controls around the use of, authorisation to use and checking of references for agency staff
Legal Services	5	Audit to examine the collection of legal income and legal provisions
Election Expenses	4	Audit of expenses incurred in the 2014 local elections
Governance Arrangements	3	Work required for input into Annual Governance Statement
Commissioning	5	Provide advice and support to the commissioning agenda
Building Maintenance	10	Given changes to this area concerns on reactive work and seeking waivers
Follow-ups		
Gifts and Hospitality	2	follow-up
Staff car parking	2	follow-up
IT procurement	2	follow-up
Mobile phones	2	follow-up
Essential car user	2	follow-up
Registrars/tell us once	2	follow-up
Advice & Support	5	
Contingency	5	
Total CEX	64	
Chief Executives Directorate -Finance and IT		
Council Tax Audit	15	Collection/Recovery methods and key controls. Also to test a sample of local council tax support payments
Creditors-Audit	20	Annual review of creditors. To include testing key controls around reconciliations, correct postings and purchase orders being correctly raised. Check duplicate payments not being made and petty cash transactions.
Housing Benefit	15	Audit to cover key controls, overpayments, counter fraud measures. Review housing discretionary fund and those not constrained by bedroom tax
NNDR Audit	10	Coverage of key controls, and arrangements for billing, valuation and recovery and enforcement
Cash & Banking	10	To include coverage of the paying in kiosk and the new kiosk at Penge Library
Pensions Audit	10	Coverage of key controls of reconciliations and performance;
Payroll-Expenses Audit	15	Coverage of key controls, starters, payments, deductions and variation to pay.

INTERNAL AUDIT PLAN 2014/15

Appendix A

Audit	Planned Days	Coverage
Debtors-Income Audit	20	To cover reconciliations, postings, debt recovery, credit notes and write offs. Also test controls around the recovery of legal costs
Treasury Management Audit	5	To cover key controls of investment register of loans and investments, review compliance with investment limits and HSBC net controls.
Main A-C System and Revenue Budgetary Control Audit	10	To test key controls, authorisation of budget monitoring, budget setting and accuracy of budget monitoring information
Welfare Fund-	6	To test a sample of transactions and any overpayments that have been made.
Procurement	10	To include a cumulative spend review and review commissioning arrangements for functions being outsourced.
Capital Projects	15	To include coverage of procedures, monitoring and management of procedures. Also ensure compliance with Financial regulations .
Leavers procedures	10	A corporate review of the compliance to leavers procedures including return of assets, informing payroll/HR and system access
VAT	10	System based general review of VAT
Purchase Cards	10	To test controls around authorisation of expenditure and monitoring of use.
Insurance	10	To test new contract arrangements and controls around payments made
IT Audit- Review of Confirm system	10	To test the authorisation controls within the system and accuracy of information held.
IT Audit-Review of CareFirst system	10	To test the accuracy and completeness of information held, charges being raised and adequacy of access controls
IT Licenses/asset register	10	The concern is that Bromley pays for more licenses than it needs and the security of mobile ICT devices
Follow-ups		
Included within yearly audits above		
Advice & Support	10	
Contingency	15	
Work in Progress b/fwd from 2012/13	15	
Total RD	271	
Fraud and Investigation		
NFI 2014	10	Processing SPD matches and data gathering.
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	95	

Audit	Planned Days	Coverage
Education, Care & Health		
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
Residential Placements	20	Review the system to assess, evaluate and place clients to residential care. The review will be a walk through test to assess the effectiveness of controls since the transfer of placements to the CPT. Agreed triggers and authorisations should be evidenced. The procedure for emergency placements will be included in the review. Evidence the accuracy of information held on CareFirst, specifically the dates and agreed rates given the financial impact.
Financial Assessments	10	Review the system for financial assessments. Consider the timeliness of referrals and visits, the accuracy on information held on the system, continuity of data and reviews. This review will consider residential placements and respite care and will be undertaken in conjunction with the Residential Placements audit to allow a complete audit of the processes for this area of service delivery.
Transition Team	10	Review the practice and procedures across the service including the processes in place for assessment and approval of services provided and the adherence to procedures.
Ordinary Residence	5	Review the policy for ordinary residence claims and check adherence to agreed procedures.
SEN Transport	10	Review the system for SEN transport, including annual route planning, contracting and the payment of invoices. Assess the IT system used to control the operational changes to the service and consider the adequacy of management reports.
Domiciliary Care	10	Review the system to assess clients and allocate domiciliary care packages. Consider hospital discharges, new clients referred and changes to existing care packages. Review the financial assessment for clients to ensure accuracy and timeliness. Review the procedures for the ending service and the calculation and issue of the final statement.
Troubled Families	10	Review the system for identifying and monitoring Troubled Families. Verify the annual claim for funding submitted to DCLG
Housing Needs	10	Review the system to assess and process homeless applications. Assess the accuracy and completeness of information held on ANITE. Review the controls in place to manage the Traveller Sites.
Education Health and Care Plans	10	Review the system to track and monitor EHC Plans and assess the adequacy of payment controls. Consider the accuracy of information held on all management information systems

INTERNAL AUDIT PLAN 2014/15

Appendix A

Audit	Planned Days	Coverage
Contract monitoring for commissioned services	10	Review the systems in place for contract monitoring across the department. Given the fast pace of change that target services will need to be determined at the time of the audit. Likely to be Direct Care Services; priorities would be Carelink, LD day services and extra care housing.
Children with Disabilities	10	Review the system to assess and monitor clients. Include respite, placements and other care settings.
Family Placements	15	Review the system for the assessment of service and payments. The review will include fostering and adoption, kinship allowances guardianship and residence orders.
Child and Adolescent Mental Health Health Services	10	Review the procedures for EDC closedown and evidence that the agreed programme was complied with including the satisfactory transfer of all assets.
Adult Education College	5	Annual probity audit to include nursery fees and contracts. Conduct a site visit to one of the centres either Kentwood or Poverest
Schools	60	To carry out planned school visits, pre academy closure audits and follow ups
Children and Families	2	follow-up
TCES	2	follow-up
ECS Commissioning	2	follow-up
Leaving Care	2	follow-up
Looked After Children	2	follow-up
Temporary Accommodation	2	follow-up
ACS Management Investigation	2	full audit
ppointeeship and Deputyship	2	follow-up
Pheonix Centre	2	follow-up
Advice and Support	15	
Contingency	15	
Work in progress b/fwd from 2012/13	20	
Total ECS	293	
Public Health		
Contracts and Commissioning	15	To review the introduction of SLA's for GP Practices and associated payment arrangements
Clinical Commissioning Group	10	To review the Section 75 agreement with the CCG and re-charge payments
NHS Health Check Programme	5	Evaluation of health check programme, including processes and quarterly returns
Advice and Support	4	
Contingency	3	
Total PH	37	

INTERNAL AUDIT PLAN 2014/15

Appendix A

Audit	Planned Days	Coverage
Environment and Community 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 - include review of new ICES system
Waste services(Street Scene & Green Space)	10	Discussion with mangement on area for review
Highways	10	Discussion with amnagement on area for review
Parks and Green Spaces	10	Follow-up of previous audit recommendations and review Aboriculture services and Grounds Maintenance contracts
Libraries	10	Review of the newly installed 'Open Galaxy' system - covering cash collection and library stock.
Pool Cars & Fuel Cards	10	Review of the justification for/usage/management of Pool Cars and the allocation/monitoring/management of fuel cards.
Carbon Reduction Commitments	5	Annual verification audit
Street Lighting	3	follow-up
Coroners & Mortuary Service	2	follow-up
Advice and Support	5	
Contingency	5	
Work in progress b/fwd from 2013/14	0	
Total ENV	90	
Renewal & Recreation		
Planning	10	Audit will cover enforcement arrangements - deferred until 2014/15
Property Management	10	To review the robustness of systems/processes in place for property/land valuations and sale.
Commercial Property Rents	5	To review systems/processes in place to recover rents/ensure tenancies are in place/renewals of tenancies.
Advice and Support	5	
Contingency	5	
Work in progress b/fwd from 2013/14		
Total R& R	35	

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Schools Audit Plan 2014-15 Appendix B

	School	Type	Days	Date of last full audit	
	Primary Schools				
	Southborough Primary	Community	3	Oct 2010	
	Worsley Bridge	Community	3	2012/13	
	Unicorn Primary	Community	1	2012/13	Follow up
	Dorset Road Infants	Community	3	Nov 2009	
	Hawes Down Infants	Community	3	July 2009	
	Mead Road Infant	Community	3	Sept2009	
	Majorie McClure	Community	3	Jan 2011	
	Oaklands Primary	Community	1	2012/13	Follow up
	The Highway Primary	Community	1	2012/13	Follow up
	Clare House Primary	Community	3	Dec 2012	
	Red Hill Primary	Community	3	May 2010	
	Bromley Road Infants	Community	1	2012/13	Follow up
	James Dixon Primary	Community	1	2012/13	Follow up
	Princes Plain Primary	Community	3	July 2010	
	Secondary School				
	St Olaves Grammar School	Vol Aided	4	Feb 2013	
	Primary Schools				
	Special Schools		0		
			36		
	Follow up audits see above				
	Closure Audits for schools converting to academies				
	Expecting 12 primary schools to convert to academies in 2014/15		24	2 days per school	
	TOTAL		60		

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Report No.
CEO 1403

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 12 March 2014**

Decision Type: Non-Urgent Non-Executive 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
- 3.9 Audit Activity
- 3.12 Waivers
- 3.18 Publication of Internal Audit Reports
- 3.24 Housing Benefit Update
- 3.28 Other Matters
- 3.39 Risk Management
- 3.44 Risk –Annual Governance Statement

2. **RECOMMENDATION(S)**

- a. **Note the report and comment upon matters arising from the Internal Audit Progress report.**
- b. **Note the waivers approved from October 2013 to February 2014, comment on the revised format for reporting waivers and reach a decision on the reporting of placements.**
- c. **Note the list of Internal Audit Reports publicised on the web and approve the reports where exemptions are sought.**
- d. **Note the continuing achievements of the counter fraud benefit partnership with the Royal Borough of Greenwich and impending changes.**

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: Internal Audit
 4. Total current budget for this head: £552K including £250K net cost for fraud partnership.
 5. Source of funding: General fund, Admin subsidy, Admin penalties, Legal cost recoveries, Provision of sold services to academies
-

Staff

1. Number of staff (current and additional): 6.4 FTE including 0.5 FTE to cover risk management
 2. If from existing staff resources, number of staff hours: 208 days per quarter
-

Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Not Applicable:
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 150 including Chief Officers, Head Teachers and Governors
-

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 Priority One recommendations

3.2 The latest list of outstanding priority one recommendations is shown in Appendix A. There have been no additions since the last meeting of this Committee.

3.3 Progress on implementation of recommendations for Parks and Greenspace (2 outstanding), Insurance (11 priority one recommendations), Learning Disabilities (12 priority ones), Care Manager Assistant Investigation (5 priority ones), Libraries Investigation (2 priority ones) and the Mobile Phone Investigation (1 priority one) are all expanded on in detail in Part 2 of the agenda.

3.4 **Primary School** –this school converted to Academy status in December 2013. A closedown audit in January 2014 showed that the two recommendations relating to controls over expenditure and petty cash i.e. orders raised, authorisation checks are carried out prior to payment, payments made in a timely manner and that petty cash receipts are retained for audit trail purposes were implemented.

3.5 Mental Health

3.6 As previously reported within the last cycle of this committee, a priority one finding was made within the Mental Health Audit for 2013-14, where Oxleas had confirmed in writing that one client should not have been S.117. The effect of this was that we had continued to fund a client unnecessarily. During the follow up review, Oxleas had since received an invoice for recovery of monies. Further evidence was then provided by Oxleas via a letter in November 2013, stating that the client was always S.117. The invoice has since been cancelled and the client advised that a contribution will no longer be required.

3.7 **Rent Arrears** -We had previously reported that the level of arrears in September 2013 stood at £2,017K which equated to a 60% increase in debt since September 2012. Although the Housing Benefit and cash collected had increased substantially, the upward trend in debt is attributable to an increase in numbers in temporary accommodation and the effect of welfare reforms. A detailed review was not possible in 2013/14 as part of the allocated planned time to temporary accommodation was utilised in assisting management in an investigation in that area details of which are in part 2 of this agenda.

3.8 The total rent arrears for former and current clients now stands at £2,103,193 at 31/12/13. However £183,327 will be deducted from this amount when adjustments are completed by a company who provide affordable housing, plus £280,000 is awaiting write-off as un-recoverable. The vast increase in the debt is due to a dramatic increase in homelessness and the difficulty in accessing a supply of affordable accommodation and nightly paid accommodation [and the associated costs] has risen significantly. The actual total of households living in temporary accommodation in 2012/13 was 764 and the mid year total for 2013/14 is 850, whilst the overall personal contributions from individual residents would have increased to reflect welfare reform changes mainly the 'benefit cap' (from April 2013).

3.9 Audit Activity

3.10 Members of this Committee were recently updated by e-mail on all our activity both planned and unplanned work for the period April 2013 to February 2014. Internal Audit have spent most of our time since the last progress report in November 2013 completing audit work from the Internal Audit plan, conducting fraud and investigation work and assisting management with their inquiries where some 266 days have been spent in this financial year –details of this work are in Part 2. We have also spent 509 days on the Audit plan, schools and sold services to academies from April 2013 to mid February 2014. Due to time spent on fraud, investigations

and audits where there were major findings, there has been some slippage on the 2013/14 Internal Audit plan and as a result we have commissioned work from LB Wandsworth who have completed two out of six audits allocated to them. Some audits that have not been started have been rolled forward to 2014/15 and are included in the proposed audit plan that appears elsewhere on this agenda. In addition to audit planned work we also carried out the following :

- Sold services to academies.
- Training-set up and monitoring of the web based training package for Financial Regulations and Contract Procedure Rules working with Procurement. This is expanded upon below.
- Advice and support on financial regulations, variations to change in system controls.
- Liaison role in assisting management inquiries that appear in part 2 of this agenda.
- Monitoring role of the Greenwich Fraud partnership.
- Liaison work with our external auditors in preparation of their audit of the 2013/14 accounts
- Committee work

3.11 The audit satisfaction questionnaires returned by auditees indicate a high level of satisfaction with an average score of 4.3 out of 5.

3.12 Waivers

3.13 Members agreed at the last meeting of this committee that the Head of Audit should liaise with the Chairman and Vice Chairman of this committee over the format of the form used for reporting waivers to this committee. Following consultation, an agreed format was produced that is used for the first time as shown in Appendix B. The main differences are that there are two additional columns –to show number of previous waivers sought and value of these waivers. In addition we have expanded the details column to include specifically the particulars for seeking a waiver.

3.14 The list of waivers for the period October 2013 to February 2014 sought is attached as Appendix B. Members are asked to review the list and request any information prior to the Committee meeting on the 12th March 2014 so that these are available.

3.15 As required by the Contract Procedure Rules (CPR) 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 2013 and covered waivers sought up to September 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.

3.16 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 Corporate Services and the Director of Finance 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 Corporate Services and the Director of Finance together with the Approval of the Executive or Council as appropriate.

3.17 Under CPR13.2 Chief Officers with Social Care responsibilities have specific exemptions provided to them under the Council's Scheme of Delegation. These powers are delegated down from the Council and the Leader. The advice we have had from the Head of Procurement is that CPR requirements apply to CPR 13.1 only and as a result these are not waivers that need to be reported to this Audit Sub Committee. From discussions at the last meeting of this committee it was indicated by ECH management that these placements go to the Portfolio Holder for information. Therefore there are two options- cease submitting the list of exempted placements to this Committee if Members are so minded; or provide a separate list to that of waivers sought under CPR 3 and 13.1. Members are asked to make a decision on what option is adopted.

3.18 Publication Of Internal Audit Reports

3.19 At the meeting of the General Purposes and Licensing Committee (GP& L) on the 25th September 2013, it was resolved that all Internal Audits are published in full except where exemptions apply, when the Audit Sub Committee would have to be informed of the reasons for non publication that would be reviewed every six months.

3.20 At the last meeting of this committee Members indicated that this commence with all reports completed after the November 2013 meeting, but Members also sought publication of any reports from the previous three years that included issues where the Council had lost more than £100K.

3.21 We have trawled through the reports for the past three years where losses of £100k could have arisen through fraud, malpractice, error or where value for money could not be demonstrated. As a result we have identified six reports that could fall in to this category:

§ Children and Family Centres- Investigation into Commissioning of Consultants-published

§ Review of North Block Capital Project-published

§ CDM Project – Not published –Exemption sought on the grounds of potential legal proceedings

§ Parks and Greenspace- Not Published –Exemption sought on the grounds of contractual matters

§ Behaviour Services- Not Published- Exemption sought on the grounds of potential legal proceedings

§ Castlecombe Children and Family Centre-Not Published on the grounds of potential legal proceedings

3.22 Members had indicated that the large overpayment to a building contractor who subsequently went into liquidation should be in the above list of report. However the Internal Audit report was issued over three years old and therefore does not fall in to the publication category.

3.23 Since the last meeting of this committee in November 2013, the following reports have been finalised and publicised after redaction:

§ Review of Early Years

§ NNDR

§ Pensions

- § Registrars –Tell Us Once
- § Staff Car Parking
- § Waste Management
- § Welfare Fund
- § Alexander Infants Pre academy audit
- § Malcolm Primary Pre academy audit
- § Royston Primary Pre academy audit

There are no Internal Audit reports in this period where exemptions are sought.

3.24 Housing Benefit Update

- 3.25 Members had previously been informed that the proposed move by the DWP towards a Single Fraud Integrated Service (SFIS) was put back to April 2014. The DWP have now given a firm indication that sometime between April 2014 and March 2016 the housing benefit fraud service in all local authorities will transfer over to them under a SFIS. It appears that staff will be subject to TUPE. The transfer of the functions will be staggered. This has implications for our partnership agreement with RB Greenwich which is benefits driven and expires in March 2014. Under the requirements of our contract, we have already given notice to terminate the agreement. If as seems likely, the transfer occurs at some point during the period stated above we will have to seek a waiver in March 2014 to extend the partnership agreement up to the point of transfer.
- 3.26 After the transfer we will still need resources to cover all the other potential areas of non housing benefit fraud e.g. council tax exemptions, single person discount, social fund, blue badges, fraud referrals from the public, referrals from management, staff related fraud, NFI data matching and any pro active exercises that could identify losses. We are keen to maintain the link with RB Greenwich that has lasted since 2002 and worked well and therefore at the point of transfer to the DWP we will seek to reach an agreement with them to investigate general fraud.
- 3.27 Since the inception of the partnership in April 2002, through to January 2014, the Council has successfully prosecuted 363 claimants to date for benefit fraud; issued 323 court summonses; given 100 formal cautions; and administered 395 penalties. The full details and appendices on trends are shown in Appendices C, D and E.

3.28 Other matters- Local Audit and Accountability Bill

- 3.29 On 30 January 2014, the Local Audit and Accountability Bill 2013-14 was granted Royal Assent and enacted as the Local Audit and Accountability Act 2014 (the Act). The Act:
- Abolishes the Audit Commission.
 - Sets out requirements for the auditing of the accounts of local authorities and other specified public bodies by local auditors, in a similar way to how company accounts are audited. Regulations may modify the accounting requirements for smaller local authorities.
 - Requires local authorities to appoint auditor panels to advise them on maintaining an independent relationship with their local auditor.

- Applies to county, London borough, district and parish councils, clinical commissioning groups and other public bodies.

3.30 The current contract with our external auditors expires in September 2017 and two issues will need to be addressed – the appointment of an audit panel that will advise the local authority on the selection and appointment of external auditors and maintaining an independent relationship with their local auditors. The second issue is that local authorities may be able to jointly procure external audit services action that could lead to economy of scale savings. This will be explored with other London Boroughs.

3.31 Other Matters -LB Wandsworth

3.32 As mentioned above we have commissioned LB Wandsworth to carry out six audits –two have been completed with draft reports under discussion with management. A third is work in progress and three more audits will be completed in this quarter four. Our initial appraisal on the methodology adopted, operation, reports produced and feedback of this arrangement has so far been positive.

3.33 Other Matters – Web Based training

3.34 Members were previously informed following a series of investigations that there was clearly indicated a need for officers to be made aware of the requirements of the Financial Regulations and the Contract Procedure Rules. Consequently, a web based training package was developed which was compulsory for any officers who had roles that involved finance or decisions that had financial implications. Chief Officers were tasked with nominating officers who had such a role.

3.35 619 officers were required to complete the training package. To date 564 or 91% have completed the training; a further 20 or 3% have partially completed and 35 or 6% have yet to engage the process.

3.36 Going forward the intention is to further update the training package and use this for new starters, staff who had transferred/redeployed in to roles that now had financial input. We have yet to discuss a refresher course.

3.37 Other matters- Review of VfM arrangements

3.38 There have been no reviews of value for money arrangements on the 4 designated audits in the 2013/14 Internal Audit plan- Temporary Accommodation –no review to date as time was allocated to investigating allegations –VfM arrangements will be reviewed on completion of this work; Fostering and Adoption- audit rolled over to 2014/15 when VfM arrangements will be included; Parks and Greenspace –review concentrated on follow up audit work – see part 2 of this agenda. No plan to review VfM arrangements; and Planning –audit rolled over to 2014/15 when VfM arrangements will be included.

3.39 Risk

3.40 In response to previous comments by this Committee that the risk register was too general and did not do enough to put financial values against the risks we have undertaken a review of the high risks.

3.41 Although it is accepted that some risks are difficult to value departments have been asked to consider the following criteria when trying to put a financial value against a risk:

§ Risks where a prior event has occurred and we know what the direct cost was

§ Risks which are currently materialising and where overspends have already been identified and reported as part of the budget process

§ Risks that may materialise in the future with the caveat that this is our best estimate on a worst case scenario

3.42 As risks classified as 'non-financial' are equally likely to incur monetary loss the review considers the financial implications of all the high risks where possible (see Appendix F)

3.43 We have also asked departments to extend this work to all medium risks classified as 'financial' as part of the AGS review process.

3.44 Risk -Annual Governance Statement (AGS)

3.45 The preparation and publication of an AGS in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework 2007 is necessary to meet the statutory requirement set out in Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011.

3.46 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.

3.47 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 behaviour.

§ 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

3.48 The Code of Corporate Governance was updated and approved by full Council on 23 September 2013 to incorporate revised guidance issue by CIPFA/SOLACE.

3.49 As risk management features strongly in the AGS process, this year's review is again being coordinated by the Risk Management Group. The purpose of the review is to provide assurance from a number of sources including Members, Directors, 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.

3.50 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 Directors and Assistant Directors.

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

3.52 The AGS will be presented to the next meeting of this Committee for approval.

4 POLICY IMPLICATIONS

None

5 FINANCIAL IMPLICATIONS

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

6 LEGAL IMPLICATIONS

There is a statutory requirement to provide an internal audit function through the Accounts and Audit Regulations 2011.

7 PERSONNEL IMPLICATIONS

Staff in breach of financial rules and procedures or acting inappropriately against the Council's legal and financial interests may be subject to disciplinary actions or/and police investigations.

Non-Applicable Sections:	Policy
Background Documents: (Access via Contact Officer)	None

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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
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 did not 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	The last update indicated that rent arrears at September 2013 were £2,017,242 an increase of 60% from September 2012. Part of the increase in arrears is due to increase in TA numbers and the effects of the welfare reforms. The rent arrears figure as at 31st December 2013 stands at £2,103,193. Adjustments of £183K that is pending will bring down this figure and will be further reduced by £280k for write offs awaiting action. This area will be audited as part of the 2014/15 internal audit plan. See report progress report.	High
CYP/024/01/2012	Behaviour Services	N/A	1 o/s	Part 2- six of the 7 priority one recommendations have been implemented.	In progress	Assistant Director ECS	Expanded in Part 2	High
RD/018/01/2013	Insurance	N/A	11	Part 2	In progress	Director Of Finance	See update in Part 2	High
ACS/023/01/2012	Learning Disabilities	Nil Assurance	12	Part 2	In progress	Executive Director ECH	Additional work commissioned by Director of Finance. Audit currently following up recommendations	High
ECS/004/01/2012	ACS Care ManagerAsst	N/A	3 o/s	Part 2 - 5 priority one recommendations made. Care Services Management have confirmed that the procedures for cash handling, supervision, transfer of cases and CareFirst recording have been implemented. The cash handling procedure note has been updated and is now a link in the Care Services Guide available on One Bromley. The Quality Assurance Team are currently undertaking an audit of supervision and case recording that has been issued to all care teams. No service users contacted regarding contact with PR, responded. All recommendations will be reviewed and tested during the planned follow up audit in 2014-15.	In progress	Assistant Director-Adult Social Care	See update in Part 2. Audit are satisfied that two of the recommendations have been implemented. The 3 outstanding recommendations will be reviewed on completion of the Quality Review check currently in progress by ECH.	High
R&R/001/01/2013	Libraries Staff Investigation	Limited Assurance	1 o/s	Part 2- 2 priority one recommendations made following investigation.	In progress	Libraries Operations and Commissioning Manager/ Stock services Manager	Ongoing action- see update in Part 2	High
CEX/062/01/2013	Mobile Phone Investigation	Limited Assurance	1	Part 2	In progress	Director of HR	Agreed to take ownership and that the wording of the policy will be amended.	High
R&R/012/01/2012	Building Maintenance	Limited Assurance	1	The department must comply with the requirement 1.2 and 8.1.3 of the Contract Procedure Rules. • "Officers shall not sub divide work which could reasonably be treated as a single contract." • "The total estimated value of orders for a given type of goods, services or works should where ever practicable be amalgamated for the purpose of determining procurement procedures." They should review the practices and procedures to identify cumulative spend with individual suppliers. Where spend exceeds limits indicated in Contract Procedure Rules quotes or tenders should be sought.	In progress	Head of Operational Property	Agreed and corrective action in progress. To be tested as part of the 2014/15 Internal Audit plan.	High

The following priority one recommendations have been implemented: None see comments column above

Primary School- converted to academy status- closedown audit indicated implementation of priority one recommendations.

Mental Health- information originally supplied to Internal Audit was incorrect -client concerned was Section 117 and therefore no contributions were due.

Parks & Greenspace- 2 outstanding priority one recommendations tested for implementation and removed- See part 2.

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Waivers - From September 2013 to February 2014									
Waivers > £50,000									
DIRECTORATE	SERVICE AREA	CUMMULATIVE VALUE	ANNUAL AMOUNT	NO OF PREVIOUS WAIVERS	VALUE OF PREVIOUS WAIVERS	DETAILS- PARTICULARS FOR SEEKING WAIVER	PERIOD FROM	PERIOD TO	APPROVAL
Environmental Services	Highways	£431,935	£431,935	0	£0	Replacement of water mains in Bromley North Village, new contract - Awarded under the powers of a statutory undertaker	01/01/14	01/04/14	Director of E&CS, Director of Corporate Servs and Director of Finance
Environmental Services	Parks	£519,050	£74,150	0	£0	Maintenance and inspection of playground equipment, one year extension to original six year contract - Recent procurement strategy under member endorsement	01/01/14	31/12/14	Portfolio Holder, Director of E&CS, Director of Corporate Servs and Director of Finance
Environment & Community Services	Culture, Libraries & Leisure	£85,000	£85,000	0	£0	Furniture and fittings at Biggin Hill Library, new contract - two other libraries re-fitted by contractor and tight timescale	01/11/13	30/06/14	Director of E&CS, Director of Corporate Servs and Director of Finance
Environmental Services	Transport Operations	£118,000	£60,000 for lease car repairs	0	£0	Damage repair of the lease car fleet, one year extension to original contract - Use of the vehicle and plant maintenance, repairs and associated transport services contract plus no tenders returned for new proposed service	01/02/14	01/02/15	Director of E&CS, Director of Corporate Servs and Director of Finance
Environmental Services	Transport Operations	£918,821	£81,363	2	£181,878	Provision of motor vehicles by contract hire with full maintenance, one year extension to original contract - The Councils' current programme of change could have a direct effect on it's future defined vehicle fleet	04/11/14	05/11/15	Director of E&CS, Director of Corporate Servs and Director of Finance
Environmental Services	Community Safety	£92,212	£23,053 approx	0	£0	Bromley domestic abuse groups, new contract - Changes in LBB restructures and change in priorities. No service break	01/04/13	31/07/17	Director of E&CS, Director of Corporate Servs and Director of Finance
Environmental Services	Community Safety	£105,751	£26,438 approx	0	£0	Safer Bromley Van, new contract - No other known providers with capacity, knowledge or wish to provide service	01/04/13	31/07/17	Director of E&CS, Director of Corporate Servs and Director of Finance

DIRECTORATE	SERVICE AREA	CUMMULATIVE VALUE	ANNUAL AMOUNT	NO OF PREVIOUS WAIVERS	VALUE OF PREVIOUS WAIVERS	DETAILS- PARTICULARS FOR SEEKING WAIVER	PERIOD FROM	PERIOD TO	APPROVAL
Resources	Corporate services	£3,674,960	£734,992	0	£0	Building maintenance contract covering all trades, two year extension of original 20 contracts - satisfactory performance by contractors & review of corporate estates & management in progress	Individual trade contracts	ending at different dates	Director of Corporate Servs and Director of Finance [no Portfolio Holder approval required as individual contracts]
Resources	Corporate services	£200,710	£54,585	0	£0	Blue Sky Hosting Services, new contract - Current underlying platform for LBB website	01/01/14	31/12/14	Director of Corporate Servs and Director of Finance
Resources	Information Systems	£361,053	£93,668	Rolling yearly contract	Since 1/4/11	Provision of telephone circuits & interconnect links, one year extension to original contract - ICT strategy under review	01/04/14	31/03/15	Director of Corporate Servs and Director of Finance
Education, Care & Health Services	Commissioning	£438,306	£50,246	0	£0	Provision of services for people with learning disabilities, one year extension to original contract - skills base and knowledge for delivering support	01/04/13	31/05/15	Director of ECHS, Director of Corporate Servs and Director of Finance
Education, Care & Health Services	Specialist Support & Disability Services and Children in Care Education Service	£96,839	£32,500	0	£0	Supply of IT equipment to special support & disability services and Looked after Children, one year extension to original contract - The main IT contractor not able to meet the centre's requirements	06/01/14	05/12/2015	Director of ECHS, Director of Corporate Servs and Director of Finance
Education, Care & Health Services	Strategic Education Capital and Client Services	£62,040,005	n/a	0	£0	Project management architectural & employers agent services in support of the building of a new 2FE Primary School, new contract - Continuity in delivering the current project	01/02/14	31/09/2017	Portfolio Holder, Director of ECHS, Director of Corporate Servs and Director of Finance
Education, Care & Health Services	Children's Social Care	£622,508	£249,000	1	£498,008	Weekend and holiday provision for children with learning & physical disabilities, six month extension to original contract - Parent consultation in progress	01/04/14	30/09/14	Portfolio Holder, Director of ECHS, Director of Corporate Servs and Director of Finance
Education, Care & Health Services	Children's Social Care	£237,500	£95,000	2	£190,000	Children's childminding support services, six month extension to original contract - Parent consultation in progress	01/04/14	30/09/14	Portfolio Holder, Director of ECHS, Director of Corporate Servs and Director of Finance

DIRECTORATE	SERVICE AREA	CUMMULATIVE VALUE	ANNUAL AMOUNT	NO OF PREVIOUS WAIVERS	VALUE OF PREVIOUS WAIVERS	DETAILS- PARTICULARS FOR SEEKING WAIVER	PERIOD FROM	PERIOD TO	APPROVAL
ECHS	Commisioning	£774,750	£145,000	2	£629,750	General advice service, one year extension to original contract - Reconfiguration of services by exisiting contractor	01/04/14	31/03/15	Portfolio Holder, Director of ECHS, Director of Corporate Servs and Director of Finance
Education, Care & Health Services	Commisioning	£1,722,895	£344,579	0	£0	Learning disabilities supported living at Devenshire Road, two year extension to original contract - successful provision of first three years service	11/10/13	10/10/14	Portfolio Holder, Director of ECHS, Director of Corporate Servs and Director of Finance
Education, Care & Health Services	Commisioning	£99,500	£199,000	0	£0	Child and Adult Mental Health service, six month extension to original contract - Parent consultation in progress	01/04/14	30/09/14	Director of ECHS, Director of Corporate Servs and Director of Finance
Education, Care & Health Services	Commisioning	£56,889	£56,889	0	£0	Adults - Ethnic Community Project 2014/15, new contract - Partnership review concluded no change to current provider	01/04/14	31/03/15	Director of ECHS, Director of Corporate Servs and Director of Finance
Education, Care & Health Services	Commisioning	£99,614	£99,614	0	£0	Physical disability & sensory impairment services for the blind, new contract - in-depth review of Care Bill required	01/04/14	31/03/15	Director of ECHS, Director of Corporate Servs and Director of Finance
Education, Care & Health Services	Commisioning	£121,600	£60,800	0	£0	Learning Disabilities Next Steps programme day services, one year extension to original contract - Shortage of day provision for adults with learning disabilities, complex health & care needs	17/10/13	16/10/15	Director of ECHS, Director of Corporate Servs and Director of Finance
Education, Care & Health Services	Commisioning	£64,724	£64,724	0	£0	Supporting people, floating support, new contract - Unique service to provide changing needs of client group	01/04/14	31/03/14	Director of ECHS, Director of Corporate Servs and Director of Finance
Education, Care & Health Services	Commissioning		£76,221			LD Supported Living Placement - Burgess Autistic Trust, 1 Hornbeam House, Thesiger Road, Penge, SE20 7NX	19/08/13		AD Commissioning, Director of ECHS, Portfolio Holder for Care Services
Education, Care & Health Services	Commissioning		£62,482			LD Residential Placements - Caretech, Inglewood, 21 Church Lane Bearsted, M14 4EF	01/10/13		AD Commissioning, Director of ECHS, Portfolio Holder for Care Services

DIRECTORATE	SERVICE AREA	CUMMULATIVE VALUE	ANNUAL AMOUNT	NO OF PREVIOUS WAIVERS	VALUE OF PREVIOUS WAIVERS	DETAILS- PARTICULARS FOR SEEKING WAIVER	PERIOD FROM	PERIOD TO	APPROVAL
Education, Care & Health Services	Commissioning		£98,913			LD Residential Placements - Tanglewood, 252 Canterbury Road, Hawkinge, CT18 7AY	23/08/13		AD Commissioning, Director of ECHS,Portfolio Holder for Care Services
Education, Care & Health Services	Commissioning		£165,029			LD Residential Placements - Barons Mead, The Barn Centre, London Road, Crowborough, TN6 1EJ	04/10/13		AD Commissioning, Director of ECHS,Portfolio Holder for Care Services
Education, Care & Health Services	Commissioning		£56,053			MH Residential Placements - Angelina Care, 229 High Street, Penge, SE20 7QP	30/12/13		AD Commissioning, Director of ECHS,Portfolio Holder for Care Services
Education, Care & Health Services	Commissioning		£62,049			LD Residential Placements - Cottisbraine House, 36 Sandy Lane South, Wallington, Surrey, SM6 9QZ	17/12/13		AD Commissioning, Director of ECHS,Portfolio Holder for Care Services
Education, Care & Health Services	Commissioning		£52,012			LD Residential Placements - The Oaks Care Centre, 904 Sidcup Road, New Eltham, SE9 3PW	30/12/13		AD Commissioning, Director of ECHS,Portfolio Holder for Care Services
Education, Care & Health Services	Commissioning		£52,841			LD Supported Living Placement - Aspirations Care Limites, 84 High Street, Billericay, Essex, CM12 9BT	24/01/14		AD Commissioning, Director of ECHS,Portfolio Holder for Care Services
Education, Care & Health Services	Commissioning		£235,108			LD Residential Placements - Priory Group, Ebbsfleet House, Tubs Corner, Ebbsfleet Lane, Ramsgate CT12 5DJ	31/01/14		AD Commissioning, Director of ECHS,Portfolio Holder for Care Services
Education, Care & Health Services	Commissioning		£130,355			LD Residential Placements - CMG, Cherry Tree House, 272 Wingeltye Lane, Hornchurch, RM11 3BL	20/01/14		AD Commissioning, Director of ECHS,Portfolio Holder for Care Services

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
Court Summonses							1			2	2		5
Admin Penalties							1		1				2
Formal Cautions					1				1				2

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
Court Summonses	2	4	1	4	3	2			1	1			18
Admin Penalties	3		1		1			1	1	2			9
Formal Cautions	4	1	1			1	2	1		2	1	1	14

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
Court Summonses	2	4			6	2	1			9	2	4	30
Admin Penalties	2		2	1		3				1			9
Formal Cautions		4	2		1	2	1	3	1		2	1	17

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
Court Summonses	6	3	4	1	3	4	7	5	2	5	6	4	50
Admin Penalties	1	2					2		3	1	1	1	11
Formal Cautions	2	2	1	2		2	1			1	1		12

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	9	1	3		3	2	4	4	6	4	3	2	41
Court Summonses	4	1	4	4	1	7	6	1	5	4	5		42
Admin Penalties	5	4	3	2	2	1	2	4	2	3	15		43
Formal Cautions		1	2							1	2		6

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		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

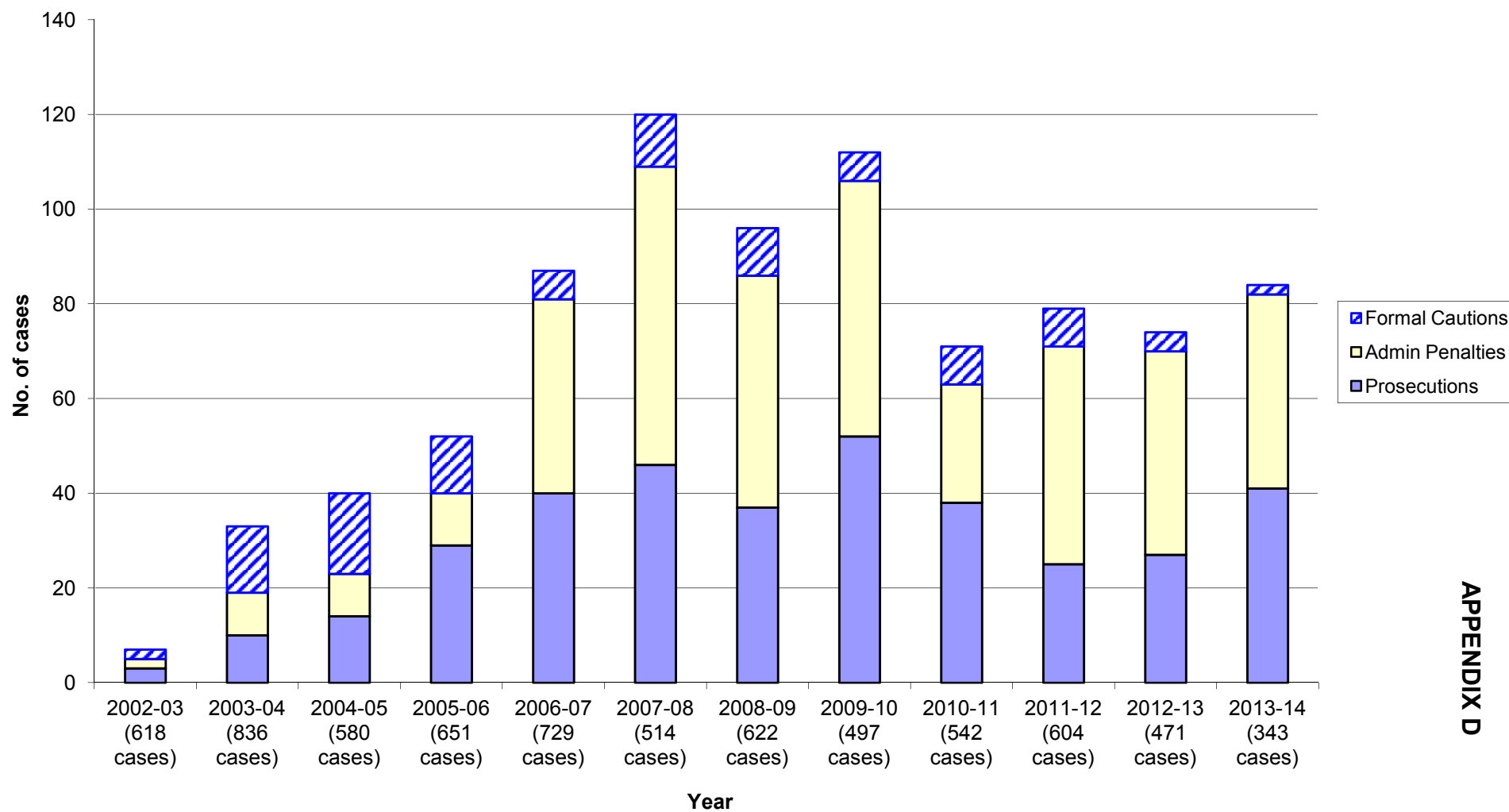
2010/2011	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	21	44	44	39	47	51	41	39	25	56	59	76	542
Confidential Hotline	5	10	9	9	13	15	15	10	7	7	9	17	126
Interviews	12	11	5	14	8	27	16	19	9	31	20	30	202
Claimant Visits	1	5	4		4	9	4	7		4	7	9	54
Prosecutions	6	3	3	3	6	4	3	1	5	1	3		38
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	85	62	471
Confidential Hotline	8	10	5	10	8	8	9	15	6	10	5	10	104
Interviews	2	16	18	13	16	6	9	22	8	8	8	14	140
Claimant Visits	1		5	5	5	9	5	7	8	2	3	2	52
Prosecutions	4	5	1		4	3	4	5			1		27
Court Summonses	2	3		3	7		3	2	2	1	4		27
Admin Penalties	16	5	5	2	2	5	5	1	2				43
Formal Cautions		1					1		1			1	4

2013/14	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	47	45	31	26	34	23	43	27	27	40			343
Confidential Hotline	16	9	6	4	9	8	3	9	12	4			80
Interviews	24	31	20	19	15	7	17	6	5	9			153
Claimant Visits	4			6	7	1	1	5	13	7			44
Prosecutions	12	3	1	8		7	4	1	3	2			41
Court Summonses	2		7	4	3	2							18
Admin Penalties	2	2	6	4	12	6	1	5	3				41
Formal Cautions							1			1			2

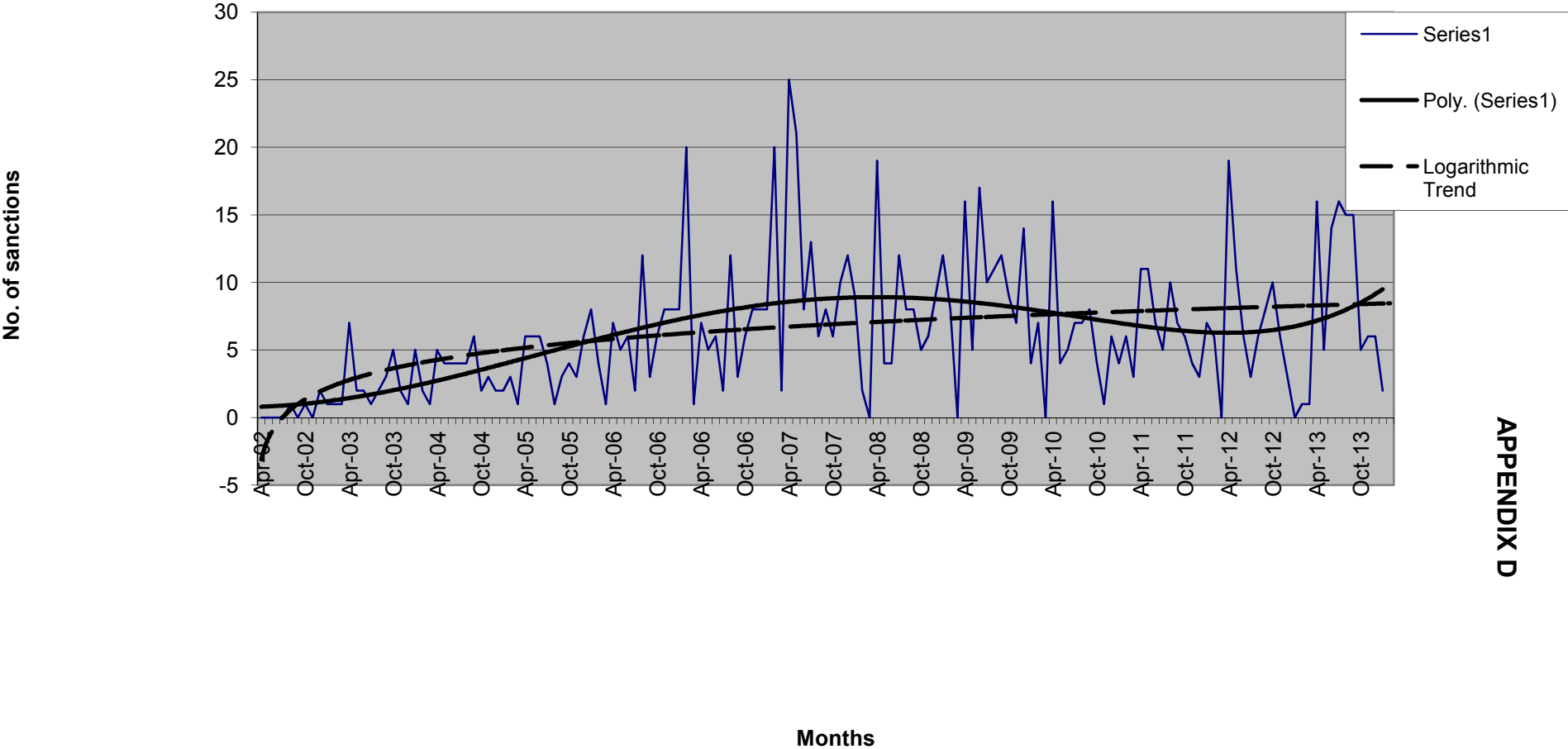
HB Sanctions - Annual Comparison



APPENDIX D

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



APPENDIX D

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BROMLEY RISK REGISTER - HIGH RISKS - FEBRUARY 2014

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions	Financial Implications
RES/ALL.0075	Chief Executive's	All CEX Divisions	All CEX Sections	Project Management Failure to deliver on efficiency projects stated aims as a result of project management failings (e.g. timescale / budget overruns) resulting in savings having to be made elsewhere Personnel - Operational	All CEX Managers	Controls: 1. Effective training in project management techniques ----- Actions: - Identify key management staff - Through PADS/PRP, identify need for and provide project management training	Any number of projects coming out of the Commissioning and Baseline Reviews are suffering from low project resources and skills. With a consequential impact on project timelines and outcomes. These will impact on the deliver of required outcomes and budget requirements - up to £1m
RES/ALL.0077	Chief Executive's	All CEX Divisions	All CEX Sections	Legislation Breach of statutory obligations through failure of compliance with relevant legislation (e.g. EU Procurement Rules, Health and Safety etc.) Legal - Operational	All CEX Managers	Controls: 1. Register of all relevant statutory requirements 2. Regular review of compliance 3. Effective training of managers in requirements of relevant legislation ----- Actions: - Identify, document and review all relevant statutory requirements - Identify and train all staff responsible for meeting statutory requirements	EU and UK Procurement changes have increased this risk and its consequences - up to £500k Corporate Manslaughter Act 2007 - penalties include unlimited fines in the event of a conviction. In a recent prosecution the fine equalled all the company's assets, effectively closing down the business. Based on this the financial impact on Bromley could be £5m upwards.

CEX/AUD.0021	Chief Executive's	Audit	Audit	<p>Fraud</p> <p>Failure to identify and highlight frauds and weaknesses in the system of internal control resulting in losses and reputational damage</p> <p>Professional - Operational</p>	Luis Remedios - Head of Audit	<p>Controls:</p> <ol style="list-style-type: none"> 1. Audit plan 2. Reports, advice and guidance to management and Members 3. Priority 1 recommendations reported to Audit Sub-Committee 4. Adequate and effective financial regulations 5. Adherence to CIPFA's Code of Practice for Internal Audit 6. Partnership with Greenwich Fraud Team 7. Anti-fraud and corruption strategy published on the council's website and intranet 8. Whistleblowing procedures <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - Delivery of audit plan - Follow up audits - Cyclical reports to Audit Sub-Committee on all fraud investigations including updated fraud register - National Fraud Initiative (NFI) - biennial data matching exercise but with flexibility to upload data as and when required - Mandatory web based training on financial regulations, contract procedure rules and reference to fraud toolkit - Links with Public Sector Fraud Partnership and London Boroughs' Fraud Investigators' Group 	<p>Although loss from internal employee fraud is relatively rare this can occur across all service areas e.g. recent Insurance fraud - £46k (which has since been recovered).</p> <p>In the main fraud losses are benefit related:</p> <ul style="list-style-type: none"> - Investigations identified 73 housing and council tax benefit frauds totalling £425k in 2012/13 - The recent NFI data matching exercise (Nov 2013) highlighted £264k of fraudulent claims including single person discount, student loans and housing benefit
RES/LDC.0099	Chief Executive's	Corporate Services	All Corporate Services Sections	<p>Customer Services</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 Corporate Services / Joy Connor	<p>Controls:</p> <ol style="list-style-type: none"> 1. Systematic consultation 2. Robust internal customer service standards 3. Continuous learning and feedback <p>-----</p> <p>Actions:</p>	<p>Although we consult on service changes this could lead to a judicial review of decisions made. Such cases could lead to adverse publicity (which is difficult to put a financial value against) but also real resource / financial costs if we were to lose. Judgements against us could incur financial awards and also costs for ourselves and the successful party. Depending on the case, this could be in the region of £20k to £30k.</p>
RES/TEC.0305	Chief Executive's	Finance	Finance / Technical and Control	<p>Capital Income</p> <p>Capital income shortfall due to a reduction in capital receipts and delays in disposals as a result of the economic environment</p> <p>Economic - Strategic</p>	Tracey Pearson - Chief Accountant	<p>Controls:</p> <ol style="list-style-type: none"> 1. Close monitoring of spend and income 2. Reporting to Members 3. Tight control of spending commitments <p>-----</p> <p>Actions:</p>	<p>The capital programme includes receipts of £11m in 2014/15, £6m in 2015/16 and £1m per annum in later years assuming all planned receipts are achieved. The financing model reflects prudent assumptions on the level of capital receipts in view of continuing uncertainty in the property market. These figures include estimated receipts in respect of the disposal of the two remaining main sites in the disposal programme: Tweedy Road and Bromley Town Hall.</p> <p>The Director R&T advises that given the change in the property market - volumes have increased as has market activity - delays are likely to be more around planning issues.</p>

RES/TEC.0298	Chief Executive's	Finance	Technical and Control	<p>Banking Failure</p> <p>Banking failure with the result that our investments are at risk and subject to a prolonged recovery process</p> <p>Financial - Operational</p>	Martin Reeves - Principal Accountant	<p>Controls:</p> <ol style="list-style-type: none"> 1. Annual investment strategy 2. Review of counterparty list 3. Monitoring via Sector (external advisors) 4. CIPFA Treasury Management Code of Practice <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - 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) 	<p>Bromley had £5.1m invested with the Heritable Bank at the time of the Icelandic banking collapse in 2008. To date some £4.8m has been recovered with further recoveries expected.</p> <p>Although our investment criteria have been tightened since then, in view of continued uncertainty within the financial markets and banking sector we remain at risk that one or more of our investment counterparties may suffer severe liquidity problems. Currently we have £265m placed on deposit with various financial institutions up to limits set down in our annual investment strategy (e.g. we have set limits of £40m to both Lloyds and RBS for up to 2 years). Although it is difficult to predict, another financial meltdown could, on a worse case basis, result in another Heritable Bank scenario.</p> <p>By definition, any investment is risky to a degree, but the controls in place seek to minimise/manage these risks as much as possible to protect the principal sums. It is difficult to predict a sum that may be 'at risk', but, if we assume that only one bank goes under, it could be between £5m and £40m.</p>
RES/TEC.0299	Chief Executive's	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>	Director of Finance	<p>Controls:</p> <ol style="list-style-type: none"> 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 <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - Quarterly reports to Pensions Investment Sub-Committee - Funding Strategy Statement - Statement of Investment Principles - Communications Policy - Governance Policy - Triennial valuation by actuary 	<p>At the last valuation of the Council's Pension Fund in 2010, it was deemed by the actuary to be 84% funded, with a net deficit of £82m. The 2013 valuation, although not yet finished, is likely to result in a funding level of 82% and a net deficit of £128m. The triennial valuation sets the level of employer contributions required to eliminate the deficit in a specified time-frame – in Bromley's case, Members agreed this at 12 years in the last valuation and are likely to increase it to 15 years as a result of the 2013 valuation. Employer contribution rates will be revised from 1st April 2014 with the aim of clearing the deficit in that time-frame.</p> <p>Scenario testing is carried out at and between valuations and quarterly monitoring reports to the Pension Investment Sub-Committee review the performance of investments, early retirements and give information on scheme changes.</p> <p>In practice, the fund will always have sufficient resources to meet liabilities as they become due, so it is impossible to identify an 'at risk' figure.</p>

RES/TEC.0300	Chief Executive's	Finance	Technical and Control	<p>Treasury Management</p> <p>Failure to manage and control Treasury Management activities with the result that we do not maximise our interest earnings on balances:</p> <p>Liquidity, Interest rate, Exchange rate, Inflation, Credit and counterparty, Refinancing, Legal and regulatory risks</p> <p>Financial - Operational</p>	Martin Reeves - Principal Accountant	<p>Controls:</p> <ol style="list-style-type: none"> 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 <p>-----</p> <p>Actions:</p> <p>- Periodic reviews of approach in light of the economic environment</p>	<p>£265m currently invested with banks and other financial institutions. Limits placed on total sums invested with individual counterparties, both monetary and time. Officer strategy meetings agree action on maturing deposits, taking account of current interest rates, counterparty availability, the future maturity profile and other market factors. In accordance with the Code, the Council takes all recommended steps to minimise risk, with security and liquidity the main priorities before yield.</p> <p>Assuming a rate of 1% we budgeted for net interest earnings of £1.6m in 2013/14 which could be considered the value 'at risk'. In practice, however, lower rates and shorter investment periods mean that interest earned on any individual investment remains relatively low. At this stage, it is estimated that increased average balances will offset the interest rate reductions and will enable the budget for interest earnings to be achieved.</p>
R&T/HSD.0370	Chief Executive's	Regeneration and Transformation	Strategic Housing	<p>Capital Grant</p> <p>Lack of availability of external Capital Grant to deliver key housing schemes for range of client groups and corporate / portfolio plan priorities.</p> <p>Registered Providers (RPs) have advised the Council that there are a lack of available, suitable sites within the Borough on which new affordable housing schemes can be developed over the short to medium term in order to assist in meeting the Council's statutory housing and homelessness duties. This means that there will be limited bids by RPs to the Greater London Authority to access 2015-18 GLA Available Housing Funds to enable new development in Bromley.</p> <p>Financial - Operational</p>	Kerry O'Driscoll - Head of Strategic Housing	<p>Controls:</p> <ol style="list-style-type: none"> 1. Areas identified <p>-----</p> <p>Actions:</p> <p>- Planning to address impact</p>	<p>There is a financial impact on Housing Needs in ECHS as a failure to develop affordable housing schemes may lead to an increase in homelessness and increase demand for bed and breakfast accommodation.</p>

ECS/HSN.0371	Education, Care and Health Services	Housing Needs	Housing Needs	Bed & Breakfast Housing client pressures and the effects of bed and breakfast accommodation. Rising use and cost of B&B. Social - Strategic (sub: Operational - Financial)	Sara Bowrey - Assistant Director Housing Needs	Controls: 1. Continue to focus on preventing homelessness and diversion to alternative housing options ----- Actions: - Seeking new and alternative forms of temporary accommodation and supply - Invest to Save project	Pressures can be seen to derive directly from the cumulative impact of welfare reforms in the current economic climate. Whilst the Housing Needs service seeks wherever possible to prevent homelessness or secure alternative housing options to keep homelessness acceptances and temporary accommodation placements to an absolute minimum, the situation has continued to deteriorate with the number of households in temporary accommodation rising to 806 as at the end of December 2013. Of these, 405 are in nightly paid forms of accommodation, an area of budget pressure. On 20 November 2013, Executive agreed the draw down of £1m set aside in central contingency against anticipated risks resulting from the impact of welfare reform and the current economic and housing climate.
ECS/PUH.372	Education, Care and Health Services	Public Health	Public Health	Emergency Planning The risk of a major infectious disease outbreak e.g. avian flu, causing mass fatalities Strategic - Environment	Nada Lemic - Director Public Health	Controls: 1. Robust plans are in place, including Outbreak Plan, Flu Plan and Pandemic Flu Plan. 2. Alert system via the South East London Health Protection Unit (SELHPU) is in place with regular monitoring of reports. 3. Annual Flu vaccination programme in place. ----- Actions: - Business Continuity plans have been reviewed by all departments	An economic model published in the British Medical Journal in 2009 estimated the costs related to illness alone ranged between 0.5% and 1% of Gross Domestic Product for a low fatality scenario. Substituting the ECHS budget of £122m as a proxy the potential financial impact ranges from c£600k to £1.2m. These estimates increase if a greater number of people stay away from work as a preventative matter. ECHS DMT will be downgrading this risk to medium after the spring and will review again in the autumn.
ENV/ALL.0157	Environment and Community Services	All ENV Divisions	All ENV Sections	Operational Emergencies Operational Emergencies (e.g. extreme heat, storms, floods, snow) leading to major disruption of highways infrastructure and service provision Physical - Operational	All ENV Assistant Directors	Controls: 1. Emergency Plan ----- Actions: - Cross discipline trained local authority liaison officers - Invicta out-of-hours service (published number and escalation procedure)	The cost of an extreme weather event is estimated at £800k based on our experiences in the winters of 2009/10 ('The Big Freeze' when there large snowfalls in December and January) and 2010/11 (the coldest December in 100 years) which resulted in large overspends in each year for winter maintenance, including repairs to potholes and additional snow waste collection costs. As a more recent example full Council agreed the following one-off initiatives on 24 Feb 2014: a) The replacement of fallen trees following storm damage - £100k b) Provision for emergency flood damage - £100k

ENV/PAR.0393	Environment and Community Services	Parking and Customer Services	Parking	<p>Parking</p> <p>Proposed Government changes to Parking Regulations leading to major loss of Parking income (fines)</p> <p>Financial - Operational</p>	Gavin Moore - Assistant Director Parking and Customer Services	<p>Controls:</p> <ol style="list-style-type: none"> 1. Continue to lobby Department for Transport (DfT) against the proposals 2. Ensure Portfolio Holder and Leader are fully briefed <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - Contingency planning 	The Government issued a consultation paper in early December 2013 on local authority parking strategies and enforcement arrangements. Options include banning CCTV enforcement, grace periods for parking prior to penalties being issued, and a change in appeal arrangements. The total cost implications, which relate mainly to a reduction in static and mobile CCTV income, could exceed £1m per annum. Bus lane enforcement is unaffected by these proposals. A provision for this risk is included in the Council's Central Contingency, reflecting the impact of this uncertainty.
ENV/ENP.0096	Environment and Community Services	Public Protection	Environmental Protection	<p>CCTV</p> <p>Failure to upgrade Closed Circuit Television (CCTV) system, which is no longer technically supported, leading to service loss and loss of parking income</p> <p>Physical - Operational</p>	Jim McGowan - Head of Environmental Protection	<p>Controls:</p> <ol style="list-style-type: none"> 1. Regular monitoring of system by CCTV Manager 2. Major problems are reported as soon as they occur <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - System rebuild at a cost of £340k, approved by Executive 15 Feb 2014 	The cost of upgrading the CCTV system is estimated at £340k. If the CCTV system failed and wasn't replaced, the financial impact would be the current CCTV-related (static cameras and bus lane enforcement) income projection for 2013/14 of £1.027m.

INSTANT GUIDE TO RISK MANAGEMENT

The Process	Identify your risks	Assess your risks	Control your risks	Monitor and Review your risks
<p>Risk Management is an important element of the system of internal control. It is based on a process designed to identify and prioritise risks to achieving Bromley's policies, aims and objectives.</p> <p>The Risk Management process is a continuous cycle:</p> <p>Using your objectives Identify your risks> Assess your risks > Control your risks> Monitor and Review your risks.</p> <p>Useful definitions:</p> <p>Risk Management is the identification, analysis and overall control of those risks which can impact on the Council's ability to deliver its priorities and objectives.</p> <p>Risk is the chance of something happening which will have an impact on objectives.</p> <p>The message is that if you don't manage your risks then you are unlikely to achieve your objectives</p>	<p>Brainstorming session using IE&E plans and departmental objectives, to identify threats and opportunities.</p> <p>Useful analytical tools:</p> <p>Political Economic Social Technological Legal Environmental</p> <p>PESTLE provides a simple and useful framework for identifying and analysing external factors which may have an impact on your service.</p> <p>Strengths Weaknesses Opportunities Threats</p> <p>Using the PESTLE output SWOT is a technique that can help a service to focus on areas for improvement and opportunities that could be pursued.</p> <p>Remember if it can go wrong it will go wrong.</p>	<p>We use a 5 x 5 matrix to assess risks (see Risk Matrix worksheet).</p> <p>Risk is scored using the RAG traffic light system:</p> <p>Red = High Amber = Medium Green = Low</p> <p>There are two risk variables that make up the overall risk rating:</p> <p>Impact – how minor / severe is it when it happens?</p> <p>Likelihood – how likely is it / how often does it happen?</p> <p>The Risk Management Toolkit provides detailed guidance on how to score these.</p> <p>Some of these assessments can be based on past experience. In other cases you will need to take a view.</p> <p>We measure both gross risk (before any controls are taken into account) and net or residual risk.</p>	<p>Consider the controls you have in place to mitigate or reduce the risk.</p> <p>What further controls are required? Record these as actions until they are completed.</p> <p>Consider the cost of any controls against the potential benefit gained.</p> <p>What is our Risk Appetite? An element of risk is unavoidable or we would never do anything!</p> <p>RETAIN a risk – monitor to ensure the impact and likelihood do not change</p> <p>REDUCE a risk – put additional controls in place</p> <p>TRANSFER a risk – by insuring or passing the risk to a third party</p> <p>AVOID a risk – stop doing the activity</p> <p>Risk of service failure can be minimised by ensuring effective Business Continuity Plans are in place. For guidance contact the Emergency Planning Manager Steve Lewis x4388.</p>	<p>Risks should be reviewed at least annually and whenever your business plans change.</p> <p>Remember risks evolve and change over time. Are the controls still effective?</p> <p>Your aim should be to:</p> <p>Manage threats that may hinder delivery of priorities and maximise opportunities that will help to deliver them.</p> <p>The Bromley Risk Register is maintained centrally by Audit and includes details of the risks, risk owners, controls and actions.</p> <p>Further guidance on Risk Management can be found in the Managers' Toolkit on onebromley. This also provides links to the Risk Management Strategy, Risk Management Toolkit and Risk Register.</p> <p>The site also provides a link to the Health and Safety Unit who carry out H&S risk assessments. For guidance contact the Occupational Safety Advisor Patricia Hook x7584.</p>

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Agenda Item 11

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
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Agenda Item 12

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