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DATE: 24 March 2015

To: Members of the
AUDIT SUB-COMMITTEE

Councillor Neil Reddin FCCA (Chairman)
Councillor Alan Collins (Vice-Chairman)
Councillors Nicholas Bennett J.P., Ian Dunn, Simon Fawthrop, Keith Onslow and
Stephen Wells

A meeting of the Audit Sub-Committee will be held at Bromley Civic Centre on
WEDNESDAY 1 APRIL 2015 AT 7.00 PM

MARK BOWEN
Director of Corporate Services

Copies of the documents referred to below can be obtained from
<http://cds.bromley.gov.uk/>

A G E N D A

- 1 **APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**
- 2 **DECLARATIONS OF INTEREST**
- 3 **CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 27TH NOVEMBER 2014 (EXCLUDING THOSE CONTAINING EXEMPT INFORMATION) (Pages 5 - 18)**
- 4 **QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING**
In accordance with the Council's Constitution, questions to this Committee must be received in writing 4 working days before the date of the meeting. Therefore please ensure questions are received by the Democratic Services Team by 5pm on 26th March 2015.
- 5 **MATTERS OUTSTANDING FROM THE LAST MEETING (Pages 19 - 24)**
- 6 **INTERNAL AUDIT PROGRESS REPORT (Pages 25 - 52)**
- 7 **INTERNAL AUDIT ANNUAL AUDIT PLAN 2015/16 (Pages 53 - 70)**
- 8 **EXTERNAL AUDIT GRANT CERTIFICATION REPORT (Pages 71 - 86)**

9 EXTERNAL AUDIT ANNUAL PLAN (Pages 87 - 124)

10 QUESTIONS ON THE AUDIT SUB COMMITTEE BRIEFINGS

The briefing comprises:

- Pre-Academy Audit of St Peter & St Paul Catholic Primary School-2014-15
- Redacted Final Council Tax Audit Report-2014-15
- Redacted Final Report for Closure of Audit of PRU
- Redacted Pensions Final Audit Report-2014-15
- Redacted Final Report –Pre-Academy-St Mary Cray Primary School-2014-15.
- Redacted Final Procurement Report-2013-14
- Redacted Final Report-Pre-Academy-Chislehurst (St Nicholas) C of E Primary School-2014-15
- Redacted Libraries Final Audit Report-2014-15
- Redacted NHS Health Checks Final Audit Report 2014-15
- Redacted Final Report Worsley Bridge Primary School Audit for 2014-15
- Redacted Final Registrars Follow Up Audit for 2014-15
- Redacted Final Report Street Cleansing Audit 2014-15
- Redacted Clare House Report 2014-15
- Redacted Final Report Leavers Audit 2014-15
- Redacted Final Internal Audit Report for Adult Education College 2014-15
- Redacted Final Report of Review of Section 75,76 and 256 agreements
- Redacted Transition Team Final Internal Audit Report for 2014-15

Members have been provided with advance copies of the reports via email and via the “Information Briefing” link to the Bromley Website.

The link to the Information Briefings is:

<http://cds.bromley.gov.uk/ieListDocuments.aspx?CId=559&MId=5343&Ver=4>

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

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

Items of Business

Schedule 12A Description

12 INTERNAL AUDIT FRAUD & INVESTIGATION REPORT (Pages 125 - 164)

Information relating to any individual.
Information which is likely to reveal the identity of an individual.
Information relating to the financial or business affairs of

any particular person (including the authority holding that information)

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

13 EXEMPT MINUTES OF THE MEETING HELD ON THE 27TH NOVEMBER 2014 (Pages 165 - 172)

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AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.00pm on 27 November 2014

Present:

Councillor Neil Reddin FCCA (Chairman)
Councillor Alan Collins (Vice-Chairman)
Councillors Ian Dunn, Simon Fawthrop,
William Huntington-Thresher, Russell Mellor and
Keith Onslow

Also Present:

Mark Bowen, Ian Leadbetter, James Newell, Charles
Obazuaye, Linda Pilkington, Luis Remedios and Kay
Weiss

13 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies were received from Councillor Nicholas Bennett; Councillor Russell Mellor attended as substitute.

Apologies were also received from Councillor Steven Wells, Councillor William Huntington Thresher attended as substitute.

14 DECLARATIONS OF INTEREST

Councillor Fawthrop declared an interest as his wife was employed by Bromley Adult Education.

Councillor Reddin declared an interest as a governor of St Olave's School, and as the parent of a child at Warren Road Primary School.

Councillor Fawthrop declared an interest as the parent of a child attending a Bromley school.

Councillor Onslow declared an interest as he worked for the Zurich Insurance Company.

Councillor William Huntington Thresher declared an interest as a Member of the scrutiny panel of Affinity Sutton Homes.

15 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 25th JUNE 2014 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

RESOLVED that the minutes of the meeting held on the 25th June 2014 (excluding exempt information) be confirmed.

16 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

17 MATTERS OUTSTANDING FROM THE LAST MEETING

Report CSD 14119

There was a previous issue noted regarding the rate of compliance with the Full Budget Monitoring Process. It was noted that the rate of compliance had increased to 92%, and so this matter could now be closed.

The other matters raised in the Matters Arising report were either implemented or covered within the Internal Audit Progress Report or the Internal Audit Fraud and Investigation.

RESOLVED

(1) that the Matters Arising report be noted.

18 ANNUAL AUDIT LETTER & LETTER OF REPRESENTATION

The Committee were updated with respect to the Annual Audit Letter and the Letter of Representation. It was noted that the Committee normally received the Annual Audit Letter, and that this document summarised the work of the external auditors PWC, for audit work taken in 2013/14. The Letter of Representation was noted by the Committee. The letter detailed the key undertakings given by the Director of Finance to the External Auditors.

Members were informed that the 2013/14 external audit could not be concluded (and the relevant certificate issued) as there had been an objection to the 2012/13 accounts in relation to the Authority's parking enforcement contract.

The Committee were informed that the auditors had issued an unqualified opinion of the accounts, and that they had made four recommendations:

- use of a pension bank account
- refresher training to be provided to surveyors regarding accruals
- amending and review of bank mandate
- recommendations relating to pension leavers on the administration system

With respect to fees, Members heard that the expected fee for dealing with the objection relating to parking enforcement had increased to approximately £32,000--£35,000. The total of the external audit fees was expected to be in

the region of £193,000. It was explained to Members that the Annual Audit Letter was a requirement under the Audit Code of Practice, and Statement of Responsibilities of Auditors and Audited Bodies.

The Committee heard that there were four main areas that the auditors wished to highlight:

- 1) The audit raised concerns with how the Authority was going to manage its projected medium term budget gap. It was estimated that the budget gap in 2017/18 would be in the region of £53.1m.
- 2) The way that the Authority accounted for the capitalisation of fixtures and fittings was not in line with Accounting Standards
- 3) The Authority's pension liability was the most significant estimate. The 2013 triennial valuation calculated that the pension deficit at that time was in the region of 18%. To recover the pension deficit over 15 years, it was recommended that the employer contribution rate be set at 15.3%, and that an annual lump sum past-deficit contribution, be set at £5.9m.
- 4) It was noted that from 2013/14 there had been changes to the accounting for defined benefit schemes and termination benefits. The auditors considered that these changes had been dealt with adequately.

Councillor Mellor was of the opinion that it may be prudent to have a separate bank account for the Pension Fund. Members enquired:

- What the estimated cost of setting up a separate pension bank account would be
- Confirmation that there were robust controls to ensure that the fund was ring fenced to pension related transactions.

These questions were subsequently emailed to the Director of Finance for clarification, and an update will be provided to Members in due course.

RESOLVED:

- 1) that the Annual Audit Letter from PWC, the External Auditors, be noted**
- 2) that the Letter of Representation from the Director of Finance be noted**

19 INTERNAL AUDIT PROGRESS REPORT

Report: CEO 1402

I. Transforming Community Equipment Services.

The Committee were reminded that previously, audit had identified three priority one recommendations in this area. These areas were Invoicing,

Stock/Reconciliation and Charges/Contract monitoring. The Committee were provided with a detailed update, and it was noted that good progress had been made. Members heard that previously, Internal Audit had recommended that a more robust method of checking orders and invoices be introduced in compliance with financial regulations, and that these recommendations had been acted upon.

The Committee were informed that finance had developed new electronic systems to check and to identify discrepancies between orders and invoices, and that as a result of changes recommended by Internal Audit, there had been improvements in the speed of delivery of community equipment.

It was agreed by the Committee that the recommendations concerning *invoices* could now be regarded as implemented.

The Committee then proceeded to look at the issues concerning *stock reconciliation and stock charges*. It was clarified that “non stock” items were simply items that were non-standard, and were not in stock. The Committee were informed that management had acted upon recommendations, and had visited the depot to initiate a reclassification of non stock items to stock items. This process had resulted in a credit to LBB by the contractor of almost £2,000. Other administrative checks had been put in place to increase efficiency and accuracy, and as a result, the Committee regarded the previous recommendations as implemented.

The Head of Internal Audit updated the Committee with respect to the previous problems that had been noted with *contract monitoring*. In view of the recommendations that had been actioned, Members agreed that the recommendations be regarded as implemented.

II. Looked after Children

The Committee went on to discuss the two priority one recommendations that had previously been highlighted regarding payment authorisation and the timely completion of assessments, reviews, and Care Plans. It had been revealed in the most recent audit, two out of the last five cases audited did not have a current care plan, and it was therefore considered that more work was required from management to rectify these issues. It was agreed that this would be tested and reported to the next meeting of the Audit Sub Committee.

III. Main Accounting System

It was highlighted at the previous meeting of the Audit Sub Committee that the percentage of budget holders actively participating in the full budget monitoring process was statistically low, around 26% to 64%. It had been decided that if future monitoring revealed participation levels below 85%, then this could result in Chief Officers being called before the Audit Sub Committee to explain why this was the case. It was noted at the Committee that this figure now stood at 92% compliance and the recommendation was considered to have been implemented.

IV. Learning Disabilities Follow Up

Members were reminded that previously, sixteen recommendations had been made in this area, and twelve of these were priority one; the previous audit had resulted in a nil assurance. Members were happy that satisfactory progress was being made towards full implementation of the audit recommendations except in one area. The Committee were notified that the issue of the timely authorisation of cases and issues identified as a result of budget monitoring had not been resolved. An update regarding these matters would be provided in June 2015.

V. Leaving Care (Payments to Clients)

Kay Weiss (Assistant Director--Safeguarding and Social Care--Children and Young People) and Mr Ian Leadbetter (Head of Social Care—Care and Resources), attended the Committee to provide an update on the current position, and to answer any questions that the Committee would like to ask.

The Committee were reminded that the audit was conducted by the LB Wandsworth; eight priority one recommendations were given, resulting in nil assurance. Wandsworth's audit had focussed on cash based financial support including meeting accommodation and maintenance needs. The audit revealed that there were limited policies and procedures in place, and that *documents* to support *cash* payments were sometimes missing or inaccurate. The Committee heard that there were also poor management and controls with respect to managing and authorising Request for Finance Forms. There was also inadequate documentation to reconcile cash payments to bank accounts.

The Committee were informed that there were further problems with the monitoring of payments, and that part of the reason for this was that there was no centralised log of payments being maintained to ensure that grant payments to clients were not resulting in over payments. The Committee also heard that there was a payment spreadsheet that was used, but that this was only referred to by one person, and that was the Monitoring Officer; this person had now left the service.

The Head of Internal Audit commented that it was clear that the previous system was open to fraud, although no evidence of fraud was found, and that tighter controls were required. It was also the case that wherever possible, BACS payments should be used.

The Committee looked at Pathway Plans, and were informed that in this regard the problems that existed were that Pathway Plans in some cases did not exist, and in other cases the plans were late in being implemented. The Head of Internal Audit also informed the Committee that the audit had discovered that there was no adequate policy in place to deal with the storage of client belongings, and that there were no adequate petty cash controls in

place. The Head of Audit stressed that these recommendations were easy to implement.

Kay Weiss assured the Committee that the relevant lessons had been learned and highlighted by the audit, and that the audit had been helpful. Ms Weiss stated that it was now clear what needed to be done to ensure that the financial regulations were adhered to. Ms Weiss acknowledged the wrong practices that had taken place in the past, but also felt that multiple team changes had not helped the situation. The Committee were informed that around 25% of the clients that the Leaving Care team dealt with did not have access to bank accounts. In many of these cases this was because the clients had no recourse to public funds, and this included bank accounts.

Councillor Dunn enquired how the Leaving Care Grant was administered and this was explained. Councillor William Huntingdon Thresher enquired if any financial advice was provided to the Care Leavers; it was explained that this was provided by the social workers.

The Chairman asked for an explanation of what was involved in "Pathway Plans", and what were the consequences if none were available. Mr Leadbetter explained that these plans constituted a care plan from youth to adulthood; there was a risk of Ofsted non-compliance if none existed.

In conclusion, Ms Weiss stated that she would digest the report, and that it would be used in the future as an aid to performance management. The Committee felt that the problems were easily rectified.

VI. Review of Family Placements

It was explained to the Committee by the Head of Internal Audit that the review of family placements was carried out subsequent to a request by the Assistant Director for Safeguarding and Social Care. This had resulted in eight priority one recommendations and nil assurance. The Committee Members were concerned about issues of *overpayments* to foster carers.

The Committee were concerned to learn that between the summers of 2010-2014, the value of overpayments was just under £91,000, and that just over £77,000 of this debt was still outstanding. It was apparent that there were significant weaknesses in the financial controls. It was observed that there were four primary reasons that had been identified to cause the overpayments, and these were:

- Service Agreements not being closed in a timely manner
- Lack of understanding of roles and responsibilities
- Lack of understanding of how Carefirst was operating now that it was a financial system
- Insufficient monitoring to identify early alerts.

The Committee were made conversant with the situation pertaining to *Retainers* for foster carers, and that overpayments approximating £2,000 had

been identified. There was a need for a diarised system to be set in place to notify management when retainer payment expiry dates had been reached.

The Committee were surprised to learn that no guidance existed concerning *Savings* for young people in foster care, and that no policy existed surrounding the transfer of savings for a child when the placement ended or changed. The Chairman was of the opinion that the savings should be Junior ISA's. Mr Leadbetter advised that these could be difficult to administer.

The Committee proceeded to look at the matter of *Legal Orders* (Special Guardianship Orders and Residence Orders). The Committee were concerned that in most of the cases audited, the legal orders were not available for scrutiny, and it appeared that key documentation was not being retained. It had been clarified during the audit process that there was currently no officer monitoring residence orders. Resultantly, it had been requested that the Carefirst Support Team set up a virtual team for these cases to be allocated to.

The Committee were advised that the rate of payments in respect of *adoption allowances* was not being reviewed annually in line with the adoption regulations, and the audit had discovered that some carers had been overpaid, whereas others had been underpaid. The internal audit had also revealed that there were inconsistencies with the rates of payment regarding *Special Guardianship Orders* and that fifty nine cases had been mis-classified on Care First.

The Committee were informed that the internal audit had raised two priority one recommendations with respect to *training* on Carefirst and on Financial Regulations and Contract Procedure Rules. Management had accepted these findings and recommendations for implementation. The Committee were informed that management had introduced a movement sheet document that was designed to eliminate future cases of overpayments.

The Chairman raised the matter of appropriate training for CareFirst users, and asked if there were any financial constraints concerning this. Mr Leadbetter answered that the matter of Carefirst training was being looked at by Mr David Bradshaw (Head of Finance for Children and Young People). Mr Leadbetter explained that it was not clear if Carefirst was the most appropriate system for the Family Placements Team to use; the possibility of Carefirst "add ons" was being investigated.

Councillor Fawthrop commented that the adoption figures had reduced. Mr Leadbetter responded that this was the result of legislative changes that made courts more wary of issuing adoption orders; it was now the case that adoption orders were issued as a last resort, and that the courts were issuing more Special Guardianship Orders instead. These provided a degree of security but there was a cost to the council. The Committee were informed that last year was not a good one for adoption placements, but that the rates were better this year. However, it was expected that the number of adopters would decrease. The Assistant Director of Safeguarding and Social Care

informed the Committee that new data indicated that nationally adoption rates had fallen by 50% over the last year.

Councillor Fawthrop was of the opinion that LBB should make representations to Government in an attempt to rein the courts back in. He also suggested that the report be referred to the Care Services PDS Committee. Members felt that this was not necessary, and that a report should come back to the Audit Committee.

VII. Review of Purchasing Cards

The Committee heard that the internal audit had resulted in three priority one recommendations, non claiming back of VAT; non retention of receipts, and the splitting of expenditure. It was estimated that £1121.11 had been lost when VAT had not been claimed back. Managers had since been instructed to conduct an exercise to recheck expenditure to try and claim back unclaimed VAT, and this exercise is ongoing, and that over £6,000 had been identified as being recoverable from HMRC.

VIII. Review of Essential Car Users

The Committee were informed that the review had taken place as part of the 2013/14 Internal Audit Plan, when three priority one findings were identified and a limited assurance was given. The audit identified that the Essential Car User criteria may not have been robustly applied to ensure that the Essential Car User Allowance was only awarded to those for whom driving a car/vehicle was an integral and regular feature of the job. The audit noted that there was insufficient monitoring of driving licence and insurance documents. The Essential Car User Scheme would be reviewed by management in 2015. The Director of Human Resources (DHR) appeared before the Committee to provide an update on the current situation, and to answer any questions that arose on the night. The DHR informed the Committee that analysis had been undertaken in conjunction with payroll—in this case just mileage had been looked at. It was noted that drivers had to be insured for business use, which was not the case in many instances. It had also come to light that a driver had been receiving the allowance when not driving, and that this money was being clawed back by the council. One manager had not responded to a request for data. Human Resources were currently undertaking a review of processes and criteria. The DHR informed the Committee that processes were now in place to ensure that managers were pro-actively checking relevant documents like driving licences and business insurance documents. Going forward, the plan of the council was to reduce the number of drivers claiming the Essential Car User Allowance, and thus save money. The DHR postulated that many jobs could in fact be undertaken without the use of a car, and this was a matter that HR would be looking into.

The DHR stated that HR were looking at a new scheme whereby a single lump payment would be made, and this would save the council money. It was clear however, that there remained certain areas of work where a car would

be deemed to be essential regardless of mileage, and the example cited at the meeting was the use of cars by child social workers. There would be situations where a car was required because of the nature of the work, and would not be dependent on mileage.

The Chairman commented that the problem was trying to attain the correct balance, and that other opportunity cost factors (like time wasted on public transport) would also need to be factored in.

Councillor Onslow raised the matter of Insurance, and stated that it needed to be made clear to drivers that they required business insurance. The Council possessed a Contingency Motor Policy, but it was still the case that individuals required business insurance to avoid possible prosecution. Another matter that may need looking into was the age and roadworthiness of vehicles. Councillor Onslow stated that he had previously worked at drafting a Fleet Management Handbook, and offered to assist HR in drafting one for LBB. The Director of HR expressed an interest in meeting with Councillor Onslow to develop this further. The Committee were informed that an allowance did exist for bicycle use, but as the sums involved were small, not many people bothered to claim.

Councillor Fawthrop suggested that LBB look into a Hire Car Account rather than hold a pool of fleet cars, and analyse if this would be a cheaper option for the council. It was agreed that this was a matter that the DHR would investigate with Fleet Management. Councillor Onslow commented that there was a danger with using hire cars with respect to the cars being used for non council business, however there would be no insurance risks with this option.

The Head of Internal Audit informed the Committee that an audit of pool cars was currently taking place. Councillor William Huntingdon Thresher suggested that LBB consider the idea of "Car Clubs".

The discussion around pool cars and the essential car user allowance concluded with the DHR stating that he would be investigating matters further with Fleet Management and with the Executive Director of Environment and Community Services.

IX. Primary School

The Committee were informed by the Head of Internal Audit that the audit was undertaken as part of the planned scheme of school audits for 2014/15, and that a priority one finding relating to bank reconciliation had been recommended. There were also nine priority two findings relating to various matters. The school had agreed all recommendations for implementation.

X. Review of IT Licenses and Asset Register

The Committee discussed IT Licenses and the Asset Register and were informed that LBB had been paying for fobs that were no longer in use. This was mainly because the IT department were not being informed when

employees left. The Committee were reassured to learn that Management had given an undertaking to carry out an exercise to ascertain the number of key fobs required before the next invoice was due for 2015/16. Councillor Simon Fawthrop stated that in any future audit concerning fobs, ex councillors should be included. It was noted that there did not appear to be a formal protocol in place concerning IT issues when councillors left LBB.

XI. Audit Activity

The Head of Internal Audit debriefed the Committee on miscellaneous areas of audit activity, and Members were glad to hear that feedback from auditees was positive, and that LBB were now actively seeking to fill the vacant position on the audit team, subject to budgetary constraints. It was noted that “sold services to Academies” was not going to continue, and Councillor Fawthrop praised the Audit Team for the savings that their audits had made.

XII. Request for VfM Study

It was noted that Members had previously requested that the Director of Finance carry out a VfM study offered by Cipfa. Accordingly a report had been drafted by LG Futures and was currently with Chief Officers. This report would be submitted to the next meeting of the Executive and Resources, Policy Development and Scrutiny Committee. Any anomalies would be looked at by the Director of Finance.

XIII. Waivers

The Committee were informed of the controls in place with respect to Waivers, these controls increasing in rigor as the value of the waiver increased. The Committee were provided with a list of waivers under Contract Procedure Rules 3 and 13.1 for their scrutiny.

XIV. Publication of Internal Audit Reports

The Head of Internal Audit explained to Members that since the last cycle of the Committee, twenty five redacted final reports had been published, with exemptions sought for two reports.

XV. Value for Money Arrangements

The Committee were updated with respect to the audit position regarding value for money arrangements as this was an area that had not been audited recently. The Committee heard that there had been an audit of *Family Placements* that had received a score of 2 out of a possible 4. Management were looking at ways that this score could be improved. The Committee were informed that in terms of VFM, *Temporary Accommodation* was currently being audited, and that an audit of *Planning* was to be completed in the near future.

XVI. Housing Benefit Update

The Committee were updated with respect to the proposed move by the DWP to introduce a Single Fraud Integrated Service (SFIS) which will come into force on the 1st July 2015. The current contract with RB Greenwich would be required to end in its current form, but there may be a possibility of some manner of partnership working in the future.

XVII. Web Based Training

The Committee were pleased to hear about the positive uptake of training with respect to Contract Procedure Rules and Financial Regulations. It was reported that 90% of eligible candidates had completed the training and that a revised programme was planned for 2015. Consideration was being given to running a short web based course highlighting the main short comings in audit controls that were identified.

XVIII. Local Audit and Accountability Bill and Post Audit Commission Details

The Head of Internal Audit reminded Members that the Audit Commission was due to close on the 31st March 2015. A transitional body would be set up by the Local Government Association to oversee contracts in the meantime. The Committee were also informed that the National Fraud Initiative was going to move to the Cabinet Office, and that the Audit Commission's counter fraud function would transfer to a "Counter Fraud Centre" set up by CIPFA (Chartered Institute of Public Finance and Accountancy). It was also noted that LBB's auditors were going to change from PWC to KPMG.

XIX. Risk Management

Risk management is the identification, assessment, and prioritization of risks, followed by coordinated and economical application of resources to minimise, monitor, and control the probability and/or impact of unfortunate events, or to maximise the realisation of opportunities.

The Committee were interested to learn of the formation of the new Corporate Risk Management Group (CRMG) chaired by the Chief Executive that met on 3 November 2014, and agreed new terms of reference. The Group brought together the Risk Management Group, Corporate Health and Safety Committee, Emergency Planning, and Corporate Business Continuity Group. The new CRMG would continue to report to Audit Sub Committee. The Committee were informed that LBB were looking to develop an e learning training package on Risk Management with the help of the E Learning Team, and Zurich Municipal. Councillor Onslow offered to assist in moving this forward. Councillor Onslow reminded the Committee that it was imperative to have a sound Risk Management system in place to guard against not just physical or financial problems, but also reputational damage.

RESOLVED

- (1) that the internal audit progress report be noted**
- (2) that the Committee note the Waivers requested since March 2014**
- (3) that the Committee note the internal audit reports published on the web**
- (4) that the Committee agree to exempt two of the audit reports from publication.**
- (5) that an updated report concerning Looked after Children be presented to the next meeting of the Committee**
- (6) that an updated report concerning outstanding issues identified in the Learning Disabilities follow up audit be reported back to the Committee in due course.**

20 QUESTIONS ON THE AUDIT SUB COMMITTEE BRIEFINGS

The following question was raised by Councillor Ian Dunn prior to the meeting:

A number of the reports mention lack of processes and procedures and untrained staff. How does the Council ensure that it does have proper processes in place and that staff are properly trained? Is there some sort of project methodology whereby any business change project has standard deliverables of approved processes and trained staff? Also, how do we obtain this assurance when the process is being carried out by a contractor?

The answer to this question was provided by the Head of Audit:

Any audit recommendations--whether it is to do with processes, procedures, client monitoring, document retention and quality/lack of reporting made by Internal Audit, are followed up by us to ascertain progress on implementation. This would include evidence of action by management, testing on our part and interview of key staff. Therefore in the query you raised on processes being implemented by a contractor, we would look for evidence such as contractor/client meeting minutes that the client side had raised this, and it had been implemented by the contractor. If this was not readily available we would test the process ourselves as we would have rights of access to information.

The follow up process is that if it is a priority one issue reported to Audit Sub Committee we test within six months if possible. Priority two and three recommendations are followed up within a year span or at the next audit if it is

an annual audit which most major systems such as creditors, debtors, council tax are.

- 21 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000**
- 22 EXEMPT MINUTES OF THE MEETING HELD ON THE 25TH JUNE 2014**

The exempt minutes of the previous meeting of the Audit Sub Committee held on the 25th June 2014 were agreed.

23 INTERNAL AUDIT , FRAUD & INVESTIGATION REPORT

This report was written to inform Members of recent internal audit activity on fraud and various other investigations across the council. The report provided updates on previously reported cases, expanded on cases of interest, detailed cases on the fraud register, provided information on the forthcoming 2014 National Fraud Initiative exercise, and detailed the reasons given for exemptions sought for not publicising two investigation reports.

These minutes are not published here as they are Part 2 (Private) reports.

RESOLVED:

- (1) that the Internal Audit Fraud and Investigation Report be noted**
- (2) that the Committee agree the two exemptions from publication being sought**

The Meeting ended at 10.30pm

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Report No.
CSD 15007

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **1st April 2015**

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

Title: **MATTERS ARISING**

Contact Officer: Stephen Wood, Democratic Services Officer
Tel: 020 8313 4316 E-mail: Stephen.Wood@bromley.gov.uk

Chief Officer: Mark Bowen, Director of Resources

Ward: n/a

1. Reason for report

To update the Sub-Committee on progress with Matters Arising from previous meetings. Some of these updates relate to part 2 matters, and details are in the part 2 report.

2. **RECOMMENDATION(S)**

To note and comment on progress with matters outstanding from previous meetings.

To recommend any action as deemed appropriate with respect to matters that have not been resolved.

Corporate Policy

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

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Democratic Services
 4. Total current budget for this head: £367,636
 5. Source of funding: 2015/16 revenue budget
-

Staff

1. Number of staff (current and additional): 8.75fte
 2. If from existing staff resources, number of staff hours: Completion of "Matters Arising" reports for the Audit Sub Committee normally takes a few hours per meeting.
-

Legal

1. Legal Requirement: None:
 2. Call-in: Not Applicable:
-

Customer Impact

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

Ward Councillor Views

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

3. COMMENTARY

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

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

Appendix 1

Issue & Date	Summary	Action being taken ...	By	Estimated Completion
Internal Audit Progress Report Minute 67 Resolution 6 12 th March 2014	It was resolved that LBB pursue the Value for Money study offered by CIPFA and an update be provided to the Committee.	A report has been drafted by LG Futures, and forwarded to Chief Officers. This report will be submitted to the Executive and Resources PDS Committee, and any anomalies would be looked at by the Director of Finance.	Director of Finance	Completed.
Internal Audit Progress Report Minute 7 FBM 25 June 2014	The Committee agreed to monitor the % rate of compliance with the Full Budget Monitoring Process. It had been agreed that if the percentage rate of compliance was below 85%, then Directors should be called to the Committee to give an account.	Percentage rate of compliance being monitored. At the meeting of the Audit Sub Committee on 27 th November 2014, it was noted that the percentage rate of compliance was now within acceptable parameters.	Head of Internal Audit	Unless the problem re-occurred, this matter could now be regarded as resolved.
Internal Audit Progress Report Minute 7 Value for Money 25 June 2014	The Committee agreed that a Working Group be set up by the Executive and Resources Committee to look at VFM issues.	E and R Committee to be requested to initiate the setting up of this working group. Report going to meeting of E&R PDS Committee on 07/01/15. (FSD 14087).	Head of Audit/E&R PDS Committee.	Scrutinized at E and R on the 7 th January where it was resolved that the contents of the report be noted. Matter can now be closed.
Annual Audit Letter Minute 18 27 November 2014	A Member asked what the estimated cost of setting up a separate pension bank account would be. Members requested confirmation that robust controls were in place	The Head of Audit has requested clarification from Finance.	Head of Audit/Finance (Martin Reeves)	Email response from Finance was circulated to members of the Audit Committee on 23/01/15.

	to ring fence pension related transactions.			
Internal Audit Progress Report Minute 19 Looked after Children 27 November 2014	It was noted by Audit that more work needed to be done by management to rectify issues such as looked after children not having a Care Plan.	Testing to be carried out by Audit	Head of Audit	Update in Audit Sub Progress Report.
Internal Audit Progress Report Minute 19 Learning Disabilities Follow Up. 27 November 2014	The Committee heard that issues such as the timely authorisation of cases and other budget monitoring issues had still not been resolved.	Testing to be carried out by Audit	Head of Audit	Update to be provided to Members in June 2015.
Internal Audit Progress Report Minute 19 Review of Family Placements 27 November 2014	There were various problems identified by Internal Audit after a Family Placements Audit.	Testing to be carried out by Audit	Head of Audit	Update in Audit Sub Progress Report.
Internal Audit Progress Report Minute 19 Future of Fraud Partnership (Housing Benefit Update) 27 November 2014	Members noted that the current contract with RB Greenwich was ending, but that there was a possibility of partnership working.	Possibility of partnership working being investigated by the Head of Audit.	Head of Audit	Update in Audit Sub Progress Report

<p>Internal Audit Progress Report</p> <p>Essential Car Users</p> <p>Minute 19</p> <p>27 November 2014</p>	<p>Members noted problems with the non-use of car business insurance, and with the essential car user scheme.</p> <p>Car Hire account suggested.</p>	<p>It was agreed that the Director of Human Resources would look at issues further and report back to the Committee.</p>	<p>DHR to liaise with Fleet Management, and with the Executive Director of Environment and Community Services. Also with Cllr Onslow.</p>	<p>Meeting took place – agreement to tighten up procedure on insurance cover for business usage and increasing use of pool cars/club cars.</p>
<p>Internal Audit Fraud and Investigation Report</p> <p>Part 2 Reports.</p>	<p>Matters relating to:</p> <p>Insurance Investigation</p> <p>Learning Disabilities Audit</p> <p>Library Fraud</p> <p>Castlecombe Children and Family Centre</p> <p>Ravensbourne School</p> <p>Purchase Card Fraud</p> <p>Housing T/A</p> <p>Referred Fraud Cases</p>	<p>See updated Part 2 reports on the April Agenda.</p>	<p>Head of Internal Audit</p>	<p>April 2015</p>

Report No.
CEO 1502

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 1 April 2015**

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
- 3.29 Audit Activity
- 3.34 Waivers
- 3.39 Publication of Internal Audit Reports
- 3.42 VfM arrangements
- 3.47 Housing Benefit Update
- 3.53 Other Matters
- 3.56 Risk Management

2. **RECOMMENDATION(S)**

- a. **Note the report and comment upon matters arising from the Internal Audit Progress report.**
- b. **Note the waivers sought since the last report to this committee in November 2014. Members are requested to query any waivers prior to the meeting so that they can be extracted by officers for discussion.**
- 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.**
- e. Note the arrangements around risk management.**

Corporate Policy

1. Policy Status: Not Applicable:
 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: £660k including £313K fraud partnership costs.
 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): 6.5 FTE of which 5 FTES including 0.5 FTE for a Risk Officer are in post.
 2. If from existing staff resources, number of staff hours: 221 audit days per quarter is spent on the audit plan and fraud and investigations plus a further 110 days per annum bought in from LB Wandsworth to augment the audit plan but excluding RB Greenwich investigators time.
-

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: N/A

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 a number of additions detailed below since the last meeting of this Committee. There have also been some movement in priority one recommendations brought forward that are detailed below.

3.3 Progress on implementation of recommendations for Insurance (2 outstanding priority one recommendations out of a previous total of 11 priority ones, Libraries Investigation (1 priority one), Behaviour Services (1 outstanding priority one out of a previous total of 7)) and Fixed Penalty Notices (6 priority ones) are all expanded on in detail in Part 2 of the agenda.

3.4 **Rent Arrears** – this has been tested as part of the audit of Temporary Accommodation. There are 8 categories of housing clients; B&B, LATCH, Leaving Care, Core and Cluster, Safepad, Travellers, Orchard and Shipman, and Debora Conway. The number of clients vary for each category.

There are no arrears for current clients for LATCH and Safepad as these schemes have ceased. It has not been established if there are any specific procedures to recover the arrears for former clients in either scheme.

Procedures are in place for the recovery of B&B rent arrears and have recently been created for Travellers. However it is apparent that limited action has been taken to recover arrears from former tenants. The current collection rate for former B&B clients is just 4% for December 2014-figures obtained from the Liberata Sundry Debts Monthly Monitoring report. The arrears figures for B&B clients have increased from about £1.4million on 10/01/12 to £2million on 10/01/15. For non B&B clients the increase has been from just over £500k on 28/12/12 to £1.5 million in December 2014. Therefore the recommendation relating to rent arrears is still outstanding.

3.5 Review of Purchase Cards

3.6 There were 3 priority ones raised following an audit of purchase cards- not keeping proper receipts; splitting transactions to circumvent maximum spend limits on single transactions; and VAT not being claimed back in some instances. Our follow up testing showed that:

- Not keeping proper receipts- audit testing showed that of 474 transactions processed in January 2015 only 34 did not have attached receipts and 20 from 192 for February 2015. The receipts are scanned on to the system and this is monitored centrally.
- Splitting transactions- audit testing showed that we had only had 2 instances of split transactions since the audit in July 2014 and none since October 2014. A monthly report identifies any split transactions and these are monitored centrally..
- VAT not being claimed back in some instances- a special exercise to identify and reclaim historical VAT was successfully concluded. This resulted in £27K VAT reclaimed by officers checking through old transactions. It was ascertained that since the audit an increased number of transactions now have VAT being reclaimed. For example when Internal Audit reviewed Feb 2014, of 424 transactions, only 110 had VAT. In December 2015, of 246 transactions, 123 had VAT accounted for. The monthly reports also identify transactions where VAT has been claimed or not and this is monitored for potential errors.

3.7 We therefore consider all three priority one recommendations for purchase cards to have been implemented.

- 3.8 **Creditors** – we had previously reported to this Committee that the priority one recommendation related to orders being raised retrospectively i.e. after the invoice date. Over a four month period from February 2013 to May 2013, 3,290 retrospective orders were raised approximately 823 per month. An effect of this was that the commitment to incurring expenditure was not reflected in the budget reports. For the period January 2014 to January 2015, 8,981 retrospective orders were raised or 691 per month. Although this is an improvement it is still considered to be on the high side. Therefore this priority one is still to be implemented and will be reviewed as part of the next creditor audit in 2015/16.
- 3.9 **Looked After Children** - we had previously reported that this audit identified two priority one recommendations relating to:
- 3.10 Payment authorisation- there was a lack of evidence for authorising funding approvals in a number of placement decisions. In one incident, payments continued to be processed after the child had changed placement, resulting in an overpayment of £11,336. There was a further overpayment to the same foster carer that was identified in the Family Placement audit. A follow up has shown that:
- To formalise the communication between the Foster Care team and Commissioning a movement form was introduced to CareFirst 10.11.14. An alert to the desktop, notifies the Children Placement's team that a placement has ended or that there has been a change in legal status. The bi monthly "transactions in error" report identifies any overpayments to be processed and monitored by the Central Placements team.
 - The overpayment to the foster carer identified in both the LAC and Family Placements audits is still outstanding. At a meeting in November 2014, officers from Bromley and Liberata met to review the case. At this time the foster carer had been removed from the register; children would not be placed with this carer which impacted on her ability to repay the debt owing. The meeting identified that the repayment of a £25 per month was not formally agreed by the appropriate officer and that the debt should have been in joint names. The foster carers concerned had jointly signed the foster carer agreement and therefore both are liable for the debt; their joint income should be considered for any repayment arrangement. An update received from Liberata in February 2015 shows that the debt is now £21,565. The Head of Service confirmed that the foster carer's application to the fostering panel on 5.3.15 had been rejected and she has been deregistered as a foster carer for Bromley. Management have requested that Liberata progress this case through the debt recovery procedures.
 - Although procedures have been implemented to mitigate overpayments for the service, the overpayment to the foster carer is still outstanding and therefore the priority 1 remains.
- 3.11 The second recommendation related to the timely completion of assessments and reviews- testing showed that various requirements/deadlines of the Care, Planning, Placement & Case Review Regulations 2010 were not effective in respect of care plan due dates. Testing has shown that:
- The Head of Service is working with the ECHS Performance and Information Manager to develop the monthly report generated from CareFirst, identifying children coming into care and the date of the care plan. Information produced needs to be refined to filter the cases that do not require a care plan. Of the 10 new cases processed in January 2015, 4 had care plans within the specified 10 days, 1 exceeded 10 days and of the remaining 5, 3 did not require a care plan but 2 cases were not supported by a care plan. The Department have evidenced a significant improvement to the availability of care plans and for management to monitor care plans, but as shown by the January data there are still omissions; the priority 1 recommendation will remain.

- The LAC follow up audit is included in the 2015-16 plan and will consider the improvements to the procedures for payment authorisation and timely completion of care plans.

3.12 Learning Disabilities

3.13 From the previous audit report issued in September 2013, sixteen recommendations were made of which 12 were priority one and four were priority two. There was a nil assurance opinion given in this audit. A follow up audit report in September 2014 identified that since the original Internal Audit report, we did conclude that there has been satisfactory progress towards implementing the audit recommendations, but in some areas—specifically the timely authorisation of cases and issues identified as a result of budget monitoring, sufficient progress has not been demonstrated on the evidence reviewed. Also partial priority one implementations on staff training, recovery of an overpayment and ensuring that there were contract in place with some providers.

3.14 Audit testing in these areas showed that:

- All placement service lines and all personal care (agency) service lines now sit with the brokerage team. Brokerage receive weekly reports detailing service lines that are recorded on Carefirst but which are unauthorised. As a result the incidences of delays in timely authorisation of cases has decreased to an extent where it is no longer a priority one issue.
- Budget monitoring takes place on a monthly basis with a shared understanding between care management, commissioning and finance about the information that will be provided. There have been no further increase in cases identified as being in overpayment indicating that action has been taken to prevent such recurrences. A rolling register of complex cases is maintained and reviewed at every monitoring meeting. We therefore consider this priority one as being implemented.
- In respect of the overpayments due to the decision to pay by stream, Internal Audit were advised by the Business & Planning Manager that following discussions with the Head of ECHS Finance this has now been resolved with the provider. This previously partial implementation of the recommendation is now fully complete.
- Internal Audit have been informed that all the contracts with service providers are now in place. Therefore this previously partial implementation of the recommendation is now fully complete.
- Management have informed Internal Audit that mandatory training on Carefirst in the form of e-learning has been rolled out and completed by all LD care management staff. Therefore this previously partial implementation of the recommendation is now fully complete.
- As a result of the above we now consider that all the 12 priority one recommendations previously raised have now been implemented and therefor Learning Disabilities has been taken off the register.

3.15 **Leaving Care (Payments to Clients)**- A previous audit of this area resulted in a nil assurance opinion and 8 priority one recommendations were reported. The issues were in respect of the effectiveness of the overall controls for cash handling, supporting documentation, monitoring, reconciliation and review of pathway plans. A follow up interview with management has shown that :

- Management have agreed all the recommendations made in the audit review and are working towards implementation. Shortly after the audit report the monitoring officer left the Authority and as identified by the audit, was a key member of the team. A replacement has now been

appointed and the team are working to develop procedures and working practices to achieve the controls recommended by the audit.

- Policies and Procedures: The newly appointed monitoring officer has reviewed the working practices in the LCT and has rewritten the procedures, now available on the shared area for all appropriate officers.
- Documents to Support Payments and Authorisation: The Head of Service has introduced new arrangements for the use of petty cash, improving control, accountability, physical security and to comply with Financial Regulations. The Finance Officer responsible for the imprest is now a full time officer and clear timescales have been imposed regarding access to petty cash, completion of signed vouchers to evidence transfer, reconciliation of the account and authorisation. Vouchers and request for finance forms have been colour coded to readily identify the responsible team. Financial limits have been set for authorisation and the implications of not complying to the new procedures have been clearly defined. Finance officers and administrators have been put forward to complete the online Financial Regulations training. All officers in the division received the new procedures on the 6th March 2015 to go live on the 9th March.
- Cash Payments to Bank Accounts The client will sign to confirm that the bank account details held by the LCT are correct. Staff have been instructed that in all cases a receipt is to be obtained when cash is deposited into a client account.
- Monitoring of Payments The monitoring officer has reviewed the process to update individual client accounts. New arrangements are in place to ensure that more than one officer has access to and is able to complete this task rather than relying solely on one officer. Any payments over and above the agreed limits for a leaving care child is now subject to additional authorisation.
- Reconciliations The team are working with Finance to attempt reconciliation between the monitoring records held on CareStore and the Authority's main accounting system. It has been established that this cannot be a direct reconciliation but development of data held on spread sheets may improve control and is work in progress. The client specific "T code" cannot be included in the expenditure code if payment is generated from CareFirst and will still be shown as a default code. The monitoring officer will need to account for all default expenditure and allocate to client accounts for monitoring purposes.
- Pathway Plans The plans are now included on the performance digest, reported monthly to management to allow monitoring of completed plans and reviews.
- Purchase of storage space/Purchase Card The monitoring officer has reviewed the storage needs of the team and confirmed that unit is being fully utilised but is currently market testing alternative providers. The previous monitoring officer left the Authority with 29 transactions outstanding and unverified. The Group Manager is processing these payments and will authorise once allocated to a code and client. The LCT are reviewing their need for purchase card holders; expenditure will be subject to the same rigorous controls to be imposed for petty cash.
- Cash Security The Head of Service is moving the Finance Office and the safe from the ground floor to the first floor. The new cash procedures do not allow a sub float of cash holdings in the LCT. Any cash drawn for a client and not collected that day is to be held in the main safe for 24 hours then repaid and cancelled. Any officer found holding cash will be subject to disciplinary action.
- The Head of Service and senior managers have made significant improvements to the procedures relating to payments to leaving care clients and cash handling within the division.

However these procedures have only been operational for a short time and will need to be tested during the follow up audit, planned for quarter 1 in 2015-16. Members will be updated at the next meeting.

3.16 Review of Family Placements- The audit was carried out as part of the 2014/15 audit plan and was at the request of the Assistant Director –Safeguarding and Social Care. As a result of our findings we issued a nil assurance and there were 8 priority one recommendations in respect of overpayments, children’s savings, legal orders, special guardianship orders, kinship allowances, residence orders, adoption allowances and training. Internal Audit has only discussed the progress on implementation with management as it is proposed to follow up these recommendations as part of the main audit in the 2015/16 audit plan. The discussion with management has indicated the following:

- Overpayments-Individual cases were discussed. One case for about £21K (mentioned in 3.10 above) is being put forward for debt recovery action to recover monies. Another case for £10K has since been paid in full. For the smaller amounts of debt, the Head of Service is meeting with the Strategic Commissioner monthly to ensure that these cases are reviewed regularly. Recoupment of overpayments are now automatic from foster carers. A movement form has been introduced to ensure that if there is movement within the placement, the Brokerage team are alerted. All relevant documentation has been updated to incorporate recovery of overpayments such as fostering contracts, procedures etc. Internal Audit were informed that the level of overpayments had decreased but this has not been tested by Audit. Internal Audit were advised that further work is required in relation to the respite payments scheme.
- Savings-management has advised that the savings policy has been clarified with carers.
- Legal Orders-Internal Audit was advised that the Head of Social Care, CYP (East) had written to all their staff to ensure that all legal orders are uploaded to Carefirst/Carestore including backdating.
- Connected Person (Kinship)- Management advised that a huge piece of work has been undertaken in relation to the classification of these cases (and others). Work has been underway but recently there has been some slippage.
- Residence Orders- Management confirmed that welfare checks are now undertaken annually. The Residence Orders are now 50% of the fostering maintenance allowance. There has only been one new Residence Order this year.
- Adoption Allowances- The responsibility of this has since transferred to the Deputy Group Manager, Adoption Support who is supported by a Finance Officer. The Finance Officer undertakes consistent calculations. All documents have been updated accordingly. Individual cases have been reviewed and a decision taken to leave the current rates, there was minimal backdating and minor adjustments. If relevant documents are not provided to the Authority to confirm whether or not there has been a change in an individual’s circumstances then after two requests payments are ceased.
- Special Guardianship Orders- The Head of Service, Care & Resources referred to a report that went to the Safeguarding and Corporate Parenting Executive Working Party in January 2015. Within that report, it is stated that by November 2014 the number of children and young people being supported in special guardianship placements had increased substantially , some 370% increase in numbers between 2011/12 and 2014/15. It would appear that the increase in Special Guardianship Orders are a direct result to changes in the Care Proceedings framework whereby Care proceedings must be concluded within 26 weeks which has resulted in extended family members being viewed more favourably by the Courts as suitable carers. The Deputy Group Manager now manages the whole process. All documents have now been scanned onto the

system. This is a large cost pressure. A locum is currently undertaking the work of the Special Guardianship Officer, whilst recruitment takes place. The priority one recommendation related to regular financial assessments, rates paid and classification issues.

- Training-Management confirmed that a considerable amount of training has been undertaken. All administration staff have also been put forward to undertake the Financial Regulations and Contract Procedure Rules training.
- There will be a full follow up to the above recommendations in 2015/16, but from discussions with management it does indicate that there has been progress to implement them.

3.17 **Review of Essential Car Users-** This audit was part of the 2013/14 Internal Audit plan and the findings below have been subject to discussion at Directors' meetings. Our audit identified three priority one findings in relation to a number of essential car users who had claimed little or no mileage since the review of the scheme in November 2012, the need to check eligibility to drive cars for business purposes and having a car for use and the need to review criteria to prevent anomalies. As a result of our findings we gave a limited assurance opinion. A recent decision has been made to continue the essential car user scheme for 2015/16 . We have not followed up the recommendations and will do so before the next cycle of this Committee in June 2015.

3.18 There was a meeting following this Committee meeting with the Head of HR, Executive Director of ECS , Internal Audit and Cllr Onslow to discuss the insurance arrangements for business usage for car users and explore pooled cars/ car club arrangements. It was agreed that the insurance requirement for essential car users and casual would be more robust in terms of checking that staff had the necessary cover for business purposes. Pool car and car club arrangements would be further explored.

3.19 **Primary School-** This audit was carried out as part of our cyclical programme of planned school audits in 2014/15. The audit identified a number of findings including one priority one issue relating to the reconciliation of the bank account and credit card payments. A limited assurance opinion was given by Internal Audit. A follow up of this recommendation showed that the school have put in a number of changes to improve financial controls including

- Upgraded support from the Schools Finance Team (SFT) from bronze to gold service. Additional support has been purchased from SFT to focus on other areas such as benchmarking.
- Use of pre-printed cheques to reduce the risk of human error
- Adopting the use of LA procedures for procurement cards.
- Following a change in staffing, the bank reconciliations and procurement card reconciliations are now being carried out by the School Business Manager.
- The SFT have confirmed that all bank reconciliations are up to date and that there have been no further errors.

The priority one recommendation has therefore been implemented. Other recommendations from the audit will be reviewed in 2015/16 follow up audit.

3.20 **Review of IT Licenses and Asset Register-** This area was reviewed as part of our 2014/15 Internal Audit plan. There was one priority one finding in relation to overpayments on key fobs and licenses for remote working as detailed below. As a result of this finding a limited assurance opinion was given. IT have yet to settle the 2015/16 charge as the invoice has not been received. However a tendering exercise has been undertaken for a reduced number of key fobs

(from 2,810 charged for last year to 2,000) and the lowest quote is in the region of £25k which would represent a saving of about £8k on last year. As a result of action taken by management, we consider this recommendation to have been implemented.

3.21 **Audit review of Transition Team**

- 3.22 Members should note that the full redacted report is available on the web. The management summary that explains the key issues is explained below.
- 3.23 The Transition Team supports young people and adults with learning disabilities from the age of 16 to 25. The team works with young people as they prepare to leave school by helping them to plan their futures. Therefore, clients may also receive additional SEN support for colleges and further education which is dealt with by another team.
- 3.24 There was one priority one recommendation in respect of direct payment cases being in under or over payment.
- 3.25 Out of the 27 clients selected for review, 24 received direct payments cases in part, as other services were also provided. In some cases overpayments were identified as well as underpayments.
- 3.26 Total potential overpayments identified in relation to direct payments for three cases of the sample selected totalled £6,484.
- 3.27 Total underpayment of £698 was identified in respect of three cases in the sample selected. It should be noted the personal care rate of £11.78 does not seem to have been uplifted in line with the 2014/15 Contributions Policy as expected and the effect is that the incorrect rate is in payment thus creating underpayments. It is the responsibility of the service to uplift rates at the next review as discussed at the Self Direct Support meetings.
- 3.28 There were six priority two recommendations that will be followed up in 2015/16.

3.29 **Audit Activity**

- 3.30 Members of this committee have recently been updated on both progress against the 2014/15 Internal Audit plan and all other work undertaken for the period April 2014 to March 2015 including work in progress for audits brought forward from the 2013/14 Internal Audit plan, unplanned work such as management requests, fraud and investigations.
- 3.31 We have been carrying 1.6 FTEs in vacancies that together with assisting in a major investigation has impacted on our ability to complete the 2014/15 plan.
- 3.32 In addition to the reported activity we have continued to the undertake the following work:
- Sold services to academies- Members should note that with effect from 1st January 2015 Internal Audit has ceased providing sold services to academies. It has been agreed that the Schools Finance Team who are now part of Liberata will provide audit sold services to academies. They have also agreed to undertake closure audits on our behalf. Internal Audit will however continue with the cyclical maintained school audits and follow up work as outlined in the Internal Audit Plan that is on this agenda.
 - Ongoing training- set up and monitoring of the web based training package for Financial Regulations (FR) and Contract Procedure Rules (CPR) will be updated this year.
 - Fraud and investigations reported in this agenda under Part 2.

- Advice and support on the Financial Regulations, variations to change in system controls, and cases involving potential legal action where audit input is required - this is an important part of providing ongoing support to managers.
 - Monitoring role of the Greenwich Fraud partnership and assisting in the transfer of the benefit fraud service to the DWP due officially on the 1st July 2015.
 - Liaison work with our external auditors in preparation of their audit of the 2014/15 accounts
 - Committee work
 - Data gathering for NFI 2014. The summary of matches is reported on part 2 of the agenda.
- 3.33 The audit satisfaction questionnaires returned by auditees continue to indicate a high level of satisfaction with an average score of over 4 out of 5.

3.34 **Waivers**

- 3.35 Members of this Committee took the decision to only report on waivers sought under the Contract Procedure Rules 3 and 13.1 and to therefore exclude specific exemptions provided to officers under the Council's Scheme of Delegation which relate to social care placements. The list attached as Appendix B reflects waivers sought for the period October 2014 to February 2015.
- 3.36 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 2014 and covered waivers sought up to September 2014. 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 preferably prior to the meeting so that officers can extract the details on queried waivers.
- 3.37 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;
- 3.38 **£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.

3.39 **Publication of Internal Audit Reports**

- 3.40 At the last meeting of this Committee we reported our third batch of Internal Audit reports finalised since June 2014 that was published on the web. We gave explanations for seeking exemptions from publicising for two reports- Internet Usage and Fixed Penalty Notices. We are seeking exemptions for one investigation report and the reasons are given in Part 2 of this agenda
- 3.41 Since the last cycle of this Committee we have published a further 17 redacted final reports.

- Pupil Referral Unit Closure Audit
- Leavers Procedure Audit 2014-15
- Worsley Bridge Primary School Audit
- Adult Education College Audit for 2014-15
- Follow Up Audit of Registrars (Tell Us Once Scheme)
- Audit of Section 75, 76 and 256 agreements between LB Bromley and Bromley CCG 2014-15
- Review of Street Cleansing Audit for 2014-15
- Internal Audit review of St Peter and St Paul Catholic Primary School
- Internal Audit review of St Mary Cray Primary School
- Council Tax Audit 2014-15
- Procurement Audit 2013-14
- Internal Audit review of Chislehurst [St Nicholas] C of E Primary School
- Pensions Audit 2014-15
- Review of Transition Team
- Review of Libraries
- Review of NHE Health Check Programme
- Clare House School Audit

3.42 Value for Money Arrangements

- 3.43 We had previously reported that we rolled over three reviews of VfM arrangements due to time spent on investigations. One of these i.e. Family Placements was reported in the last cycle. Temporary Accommodation has been completed and is reported below. The third audit on Planning Enforcement is currently ongoing and VfM arrangements for the Planning Section will be reported up on at the next cycle of this Committee.
- 3.44 The standard methodology to review value for money arrangements (VfM) was agreed by Members in September 2010. The matrix to assess value for money gives a rating 1 to 4, with 1 equating to not met and 4 equating to fully met. The VfM arrangements for this service was discussed with management and based on the findings, a score rating of 3 out of 4 is reported, which is substantially met.
- 3.45 There are aspects of VfM in place but given the volatility of the budget in the service we can only assess it as an overall rating of 3.

3.46 This score of 3 is based on:

- Benchmarking rated as a 3. The benchmarking was carried out against other London authorities and cities across the country. Performance is broadly quite good, though varied. Benchmarking has resulting in a number of improvements being made to the service and liaison with other authorities.
- External assessments are rated as 3 based on external mystery shopping undertaken of the housing service and Audit Commission homeless diagnostic rating.
- Customer surveys, a rating of 3 based on Landlords questionnaire and feedback, mystery shopping and reviewing of complaints. The number of complaints against the service had increased between 2012/13 and 2013/14, which resulted in a team restructure and training being undertaken by staff.
- Budget as 2 based on the continued pressure on the budget due to increasing volumes of TA placements. The number of clients placed in nightly paid accommodation (NPA) was 530 in December 2014, this is up from 387 in September 2013 and 284 in March 2013. As a result of this increasing client numbers having to be placed in NPA, expenditure has also increased considerably.

3.47 Housing Benefit Update

- 3.48 Members had previously been informed that the proposed move by the DWP towards a Single Fraud Integrated Service (SFIS) will now occur on the 1st July 2015. We have met with the DWP and informed them that there are no TUPE implications as no staff are transferring over. We have ascertained that there is a need to employ 2 FTEs to cover off all LB Bromley related fraud and pro-active exercises. These staff will be managed by RB Greenwich under a new fraud partnership to take effect from 1st April 2015. The fraud partnership with RB Greenwich has been successful since its inception in 2002.
- 3.49 Our meetings with the DWP have been positive with a desire by all parties to work closely both pre and post transfer. It is likely that data migration will take place by 1st June 2015 at which point we will cease taking on any new cases as these will be referred to the DWP. Any cases where there is a summons at the point of transfer will still be the responsibility of LB Bromley. Cases which are work in progress but have not reached prosecution stage will be transferred to the DWP.
- 3.50 Since the commencement of the partnership in April 2002, through to February 2015, the Council has successfully prosecuted 390 claimants to date for benefit fraud; issued 352 court summonses; given 103 formal cautions; and administered 421 penalties. The full details and appendices on trends are shown in Appendices C, D and E.
- 3.51 The NFI 2014 data matching results are now in and appear in part 2 on this agenda. This has resulted in cases of benefits matches to various source data such as payroll, pensions, market traders, taxi drivers, student loans, insurance claims, housing waiting list etc.
- 3.52 Members may be interested to note that the latest DWP statistics on housing benefit recoveries and fraud data covering the period from April 2014 to September 2014 indicated that:
- the total value of housing benefit overpayments outstanding at the beginning of the second quarter of 2014/2015 was around £1.44bn, an increase of 9 per cent over the previous year;
 - the total value of housing benefit overpayments identified during the first two quarters of 2014/2015 had increased by 2 per cent in comparison with the same period in 2013/2014;
 - the total value of housing benefit overpayments recovered during the first two quarters of 2014/2015 had increased by 5 per cent in comparison with the same period in 2013/2014;

- the total value of housing benefit overpayments written off in the first two quarters of 2014/2015 was almost £36m, a 14 per cent increase on the same period in 2013/2014;
- the number of full time equivalent fraud investigators had continued to reduce between April 2014 and September 2014, a reduction of around 9 per cent in comparison with the same point last year;
- there had been a decrease of around 13 per cent in the number of cases referred for fraud investigation during the first two quarters of 2014/2015 in comparison with the same period in 2013/2014;
- the number of cautions offered and accepted in the first two quarters of 2014/2015 had fallen by around 15 per cent when compared with 2013/2014;
- the number of administration penalties offered and accepted in the first two quarters of 2014/2015 had fallen by around 20 per cent;
- 3,135 prosecutions resulting in guilty outcomes between April 2014 and September 2014, a decrease of 26 per cent in comparison with the previous year.

3.53 Other Matters-

3.54 **Web based training** -There will be a need to update both Financial Regulations and the Contract Procedure Rules to take into account the transparency requirements and the new EU Procurement Regulations. This will be brought to this Committee towards the end of the financial year. We will also be trying to introduce a web based training package covering major issues of weaknesses identified in audits in respect of internal controls; attempt to introduce a web based training package for risk management and update the fraud focus training package.

3.55 **External Auditors**- From the 1st April 2015 our External Auditors will be KPMG.

3.56 Risk Management

3.57 We had previously reported that we had set up a new Corporate Risk Management Group (CRMG) chaired by the Chief Executive and agreed new terms of reference. This brings together the Risk Management Group, Corporate Health and Safety Committee and Corporate Business Continuity Group. The new CRMG will continue to report to Audit Sub Committee.

3.58 Risk Register - The risk register is being updated as part of the Annual Governance Statement (AGS) review. Pending the outcome of Zurich Municipal's review we will continue to report the current net high risks with commentary on the resulting financial implications. An update will be presented this Committee at the next meeting. Zurich has already indicated that in their view our current risk scoring matrix is fairly conservative.

3.59 Risk Review -Zurich Municipal

3.60 We are currently working with Zurich Municipal on two workflows to carry out a Public Health Risk and Insurance review and to develop a Risk Development Road Map which will potentially identify areas for improvement in our risk management systems.

3.61 Following a desktop review of key documentation, Zurich met with the Director of Public Health and her senior management team last month. The objective was to identify what clinical services we commission, our liability in the event of something going wrong, and the possibility that any negligence on our part may result in an insurance claim. The outcome of this review is assurance that our existing insurance cover is adequate, and a detailed risk register that can be

used going forward when we next re-tender our insurance policies. Zurich will report back to Public Health

- 3.62 The Risk Development Road Map is less developed although we have held a couple of meetings with Zurich and provided copies of relevant documentation including the risk management strategy and toolkit, and the risk register. The next stage will include a meeting with key individuals involved in the risk process and further departmental meetings as required. Currently Zurich are scheduling the end of April to complete this stage which should cover 'quick wins' and further work as required.
- 3.63 The cost of these reviews forms part of our insurance premium and there is no extra cost to Bromley.
- 3.64 Risk Training- HR, Workforce Development has agreed that we can utilise the new e-learning package (Learning Nexus) to produce an online tutorial for risk management. In the circumstances we have cancelled the face-to-face 'Managing Risk' workshops scheduled for 2015/16. The aim is to provide a 30 to 40 minute interactive package that officers can access and complete in their own time. Zurich Municipal has offered to assist us in this process as part of their current review.
- 3.65 Annual Governance Statement (AGS)**
- 3.66 The preparation and publication of an AGS in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) / The Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government: Framework 2007, and an addendum published in 2012, is necessary to meet the statutory requirement set out in Regulations 4 (2 and 3) of the Accounts and Audit (England) Regulations 2011.
- 3.67 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.
- 3.68 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
- 3.69 Our Code of Corporate Governance was last updated and approved by full Council on 23 September 2013. CIPFA are reviewing the Framework to ensure that it remains 'fit for purpose' with the aim is to publish an updated framework and guidance in late 2015. We will review and update the Code in line with their new guidance.
- 3.70 As risk management features strongly in the AGS process, this year's review will be coordinated by the Corporate 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.

3.71 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.

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

3.73 Last year the following significant governance issues were identified:

- Capacity to make further budget savings and maintain frontline services. Looking ahead, the continuing reduction in the financial settlement from the government and on-going cost pressures on the Council have opened a significant funding gap over the next four years, which it will be challenging to close.
- Decision to become a Commissioning authority
- Welfare reform agenda

3.74 These governance issues remain ongoing although whether we should continue to report them as significant will need to be discussed as part of the review process.

3.75 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 implications
Background Documents: (Access via Contact Officer)	Published internal audit reports on the web are discussed in this report.

Report Number/Date	Title	Opinion	No. of Priority One's	Details of original Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
ECHS/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	See comments in progress report.	High
CEXFin/018/01/2013	Insurance	N/A	1 o/s	Part 2- 10 of the 11 priority one recommendations have been implemented	In progress	Director Of Finance	See update in Part 2	High
CEX/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	Audit currently in progress will report outcome in June 2015.	High
CEXFin/009/2013	Creditors	Limited Assurance in the area of orders not being raised	1	5/27 payments sampled (excludes Confirm payments from the sample of 35) had orders raised on the same day as or after the invoice date. A 'retrospective purchase order' report was run in May 2013. This showed 4,788 retrospective purchase orders had been made in the period 30/01/13 to 30/05/13, with 68% of these attributed to 30 officers. However further examination of this report identified duplicated purchase order lines therefore producing inaccurate results with the actual total of 3,290 retrospective order being raised during the period. This would reflect new results to identify areas of concern.	In progress	Exchequer Manager	A 'retrospective purchase order' report was run in October 2014. This showed 1834 retrospective orders had been made in the period 1/6/14-31/8/14. This report was not compared to the previous results as this new report covered a different part of the financial year and a shorter time span. Management is addressing the problem and the outcome will be reported in the Creditors Audit to be carried out later in the year. Report run for 1/01/14 to 31/01/15 and shows roughly 691 retrospective orders being raised per month rather than	High

Report Number/Date	Title	Opinion	No. of Priority One's	Details of original Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
ECHS/015/2013	Looked After Children	Limited Assurance	2	Payment Authorisation including an overpayment to a foster parent and timely completion of assessments and reviews.	In Progress	Head of Service C&R	Department have progressed the recommendations but full implementation is still outstanding. Update in Progress Report	
ECH/017/01/2014	Family Placements	No Assurance	8	Significant findings in relation to the following areas :-Overpayments , Savings, Legal Orders, Connected Persons Allowances, Residence Orders, Adoption Allowances, Special Guardianship Orders and Training.	In Progress	Assistant Director, Safeguarding & Social Care.	Agreed by management, Implementation in progress. See Part 1 progress report for update.	High
CX/046/01/2013	Review of Essential Car Users	Limited Assurance	3	1.To review lump sum payments to all non and infrequent users highlighted in the audit. 2.Ensure that officers have adequate insurance to cover business use and a valid driving licence. Officers should report any change in circumstances that prevents them driving. Recovery of overpayment to be actioned from a case identified in the audit. 3.The criteria for essential car user allowance should be reviewed as it potentially creates an anomaly for casual users who claim regular and substantial mileage.	In Progress	Director of HR	All recommendations have been accepted by management and will be addressed as part of a review of the scheme and the criteria. See Part 1 -progress report.	High
ECH/018/01/2013	Review of Leaving Care (Payment to Clients)	Nil Assurance	9	Significant findings in relation to the following areas:- Policies and procedures, documents to support payments, authorisation of Request for Finance Forms, cash payments to bank accounts, monitoring of payments, reconciliations, pathway plans, use of the purchase card and cash security.	In progress	Group Manager LCT	Recommendations agreed by management . See Part 1 - progress report.	High
ECS/2014	Fixed Penalty Notices	N/A	5 o/s	See part 2 - 3 partially implemented relating to reconciliation of FPN's, procedures and availability of prime documents. 2 not implemented relating to the transfer to the PCN system and the formal agreement of the nil cost contract with Ward wef 01.09.14	In Progress	Asst Dir. S,S & Greenspace	See Part 2	High
ECH/035/01/2014	Transition Team	Limited Assurance	1	Direct payment service agreements were found to either be in overpayment due to the incorrect amount being being or the incorrect time period e.g term time only. Underpayments were found due to the rates not being uplifted on review as expected or the incorrect amount being paid.	In progress	Joint Team Manager, CLDT.	See part 1 progress report	High
The following priority one recommendations have been implemented: None see comments column above								
Learning Disabilities- 11 fully implemented;1was redundant by change of process; see Part 1 Progress report.								
Insurance- 10 of the original 11 have been fully implemented leaving 1 that has to be fully implemented. See Part 2								
Libraries-Recent Audit of libraries has shown that there are controls over stock. Part 2.								
Purchase Card Review- 3 priority one recommendations have been implemented. See progress report.								
Primary School -Priority one implemented-see progress report.								
IT Database Hardware,Soft ware & licencing- Priority one on key fobs implemented- see Part 1 progress report.								
Fixed Penalty Notices recommendation to approach previous contractor to pursue compensation implemented -see part 2								
Behaviour Services -Debt outstanding recommended for write off -See part 2								

Audit Sub Cttee-Priority One list March 2015 - Appendix A

Report Number/Date	Title	Opinion	No. of Priority One's	Details of original Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss

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DIRECTORATE	SERVICE AREA	CUMULATIVE VALUE	ANNUAL AMOUNT	NO OF PREVIOUS WAIVERS	VALUE OF PREVIOUS WAIVERS	DETAILS- PARTICULARS FOR SEEKING WAIVER	PERIOD FROM	PERIOD TO	APPROVAL
Education, Care and Health Services	Education - Emergency H&S Works at Burwood PRU	£368,836	£368,836			Emergency H&S electrical and mechanical works at Burwood school	19/12/14	28/02/2016	Assistant Directors Education and Commissioning, Executive Director of ECHS, Director of Corporate Services, Director of Finance and Portfolio Holder
Education, Care and Health Services	IT System - Capita ONE Integrated Management Information System	£251,355	£113,684	1	£137,671	IT system - Capita One intergrated management information system; annual maintenance agreement and licence	01/04/15	31/03/2016	Assistant Directors Strategic and Business Support and Commissioning, Executive Director of ECHS and Portfolio Holder
Education, Care and Health Services	General - Advice Service - Core Funding	£774,750	£145,000	1	£220,000	Citizens Advice Bureau -advice service core funding	01/04/15	31/03/16	Care Services PDS 21/01/15 report number CS14123
Education, Care and Health Services	Learning Disabilities - Day Opportunities	£50,602	£25,301			Learning Disabilities day opportunities for a single client at the Scotts Project Trust	16/10/14	15/10/16	Assistant Directors Adult Social Care and Commissioning, Executive Director of ECHS, Director of Corporate Services and Director of Finance
Education, Care and Health Services	General - Healthwatch Bromley	£339,450	£140,650			Healthwatch Bromley specialist providers to deliver this service	01/04/15	31/03/18	Care Services PDS 21/01/15 report number CS14119
Education, Care and Health Services	Learning Disabilities - Leisure Care Facilities at the Pavilion, Beckenham Spa and Orpington Walnuts	£52,800	£52,800			Provision of sport/fitness sessions accessed by adults with Learning Disabilities referred from Astley Day Centre. Bromley Mytime are the only provider in the Borough capable of providing the breadth of services offered.	01/04/14	31/03/15	Assistant Director Commissioning, Director of ECHS, Director of Corporate Services and Director of Finance
Environment and Community Services	Parking	Cr £283,490	Cr £103,000 (for 18 months)			Provision of a mobile phone parking solution for on and off street locations. This income is shared with Cobalt Technologies (approximately 3/4 CT, 1/4 LBB) offsetting the expense of providing the service; current net income to Bromley of running the service is approximately £16K per annum.	01/04/15	30/09/16	Assistant Director Parking and Customer Services, Executive Director ECS, Director of Resources and Director of Finance

214

201

202

208

DIRECTORATE	SERVICE AREA	CUMULATIVE VALUE	ANNUAL AMOUNT	NO OF PREVIOUS WAIVERS	VALUE OF PREVIOUS WAIVERS	DETAILS- PARTICULARS FOR SEEKING WAIVER	PERIOD FROM	PERIOD TO	APPROVAL
Environment and Community Services	Leisure and Culture	£124,804	£124,804			Consideration for agreement to award the multi-disciplinary consultancy contract for the feasibility stage of the Crystal Palace Improvement Scheme to Kinnear Landsacpe Architects Limited	01/10/14	31/03/15	Assistant Director Leisure and Culture, Director Renewal and Recreation, Director of Resources and Finance Director. Executive Committee 22.7.14
Environment and Community Services	Public Protection	£322,000	£161,000			Consideration for Agreement to extend the contract for Kennelling and the Statutory Services for Stray and Abandoned Dogs for a further 8 months.	01/12/14	31/07/15	Executive Director ECS, Portfolio Holder Public Protection (No approval by Directors of Finance and Corporate Services or confirmation from Head of Finance)
Financial Services	Technical and Control	£50,000	£20,000 (per annum)			Changes to the Councils' Treasury Investment Strategy have enabled new investment vehicles to be added. Will enable council to take advantage of new range of investment opportunities	01/04/14	31/03/17	Principal Accountant and Director of Finance
Chief Executives	Information Systems Team	£130,000	£130,000			Agreement to proceed to procurement the contract for an analysis of the system software for Bromley as replacement for Sharepoint	01/01/15	30/06/15	Corporate Information Systems Lead Commissioner, Head of Information Systems, Director of Resources and Finance
Financial Services	Technical and Control	£50,000	£20,000 (per annum)			Agreement to exempt from tendering pension fund performance measurement service provided by the VM company	01/04/15	31/03/17	Principal Accountant and Director of Finance

LBB ANALYSIS OF IAAF MONTHLY MONTITORS 2002 through to 2014/15

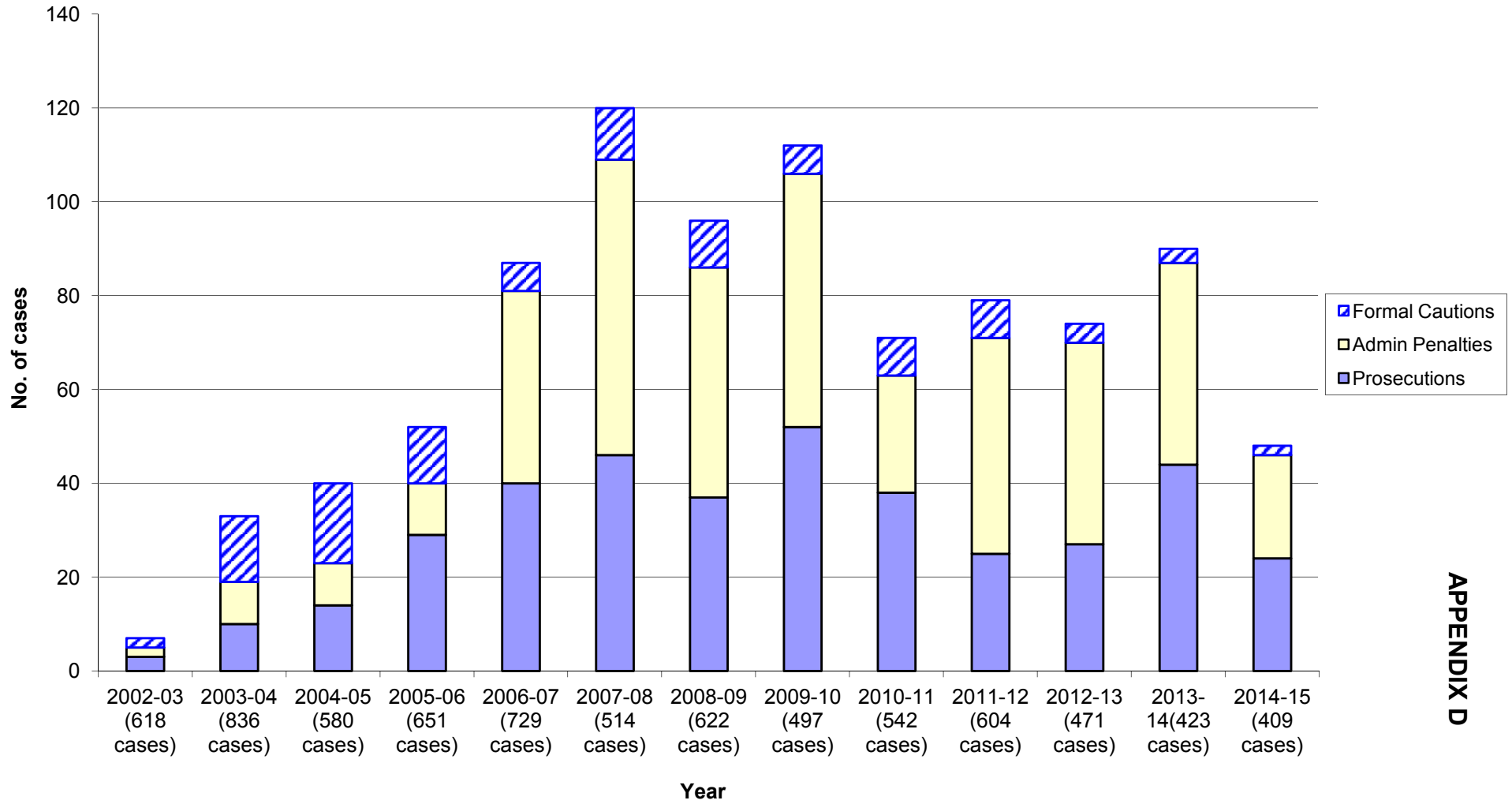
APPENDIX C

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
2002/2003													
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													
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													
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													
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													
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													
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													
Number of Cases	27	55	41	69	52	57	67	78	39	36	25	76	622
Confidential Hotline	11	8	9	3	13	19	10	13	7	12	10	9	124
Interviews	36	29	51	42	22	28	38	40	34	43	42	53	458
Claimant Visits	16	11	20	17	16	8	19	19	2	25	15	10	178
Prosecutions	6	2	3	8	6	3	2		3	1	3		37
Court Summonses	1		1	6		1	1	3	3	3	1	5	25
Admin Penalties	10	1	2	3	2	4	2	6	5	10	4		49
Formal Cautions	3	1		1		1	1		1	1	1		10
2009/2010													
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			4	10	121
Interviews	22	22	30	35	31	28	28	27	14	22	20	18	297

APPENDIX C

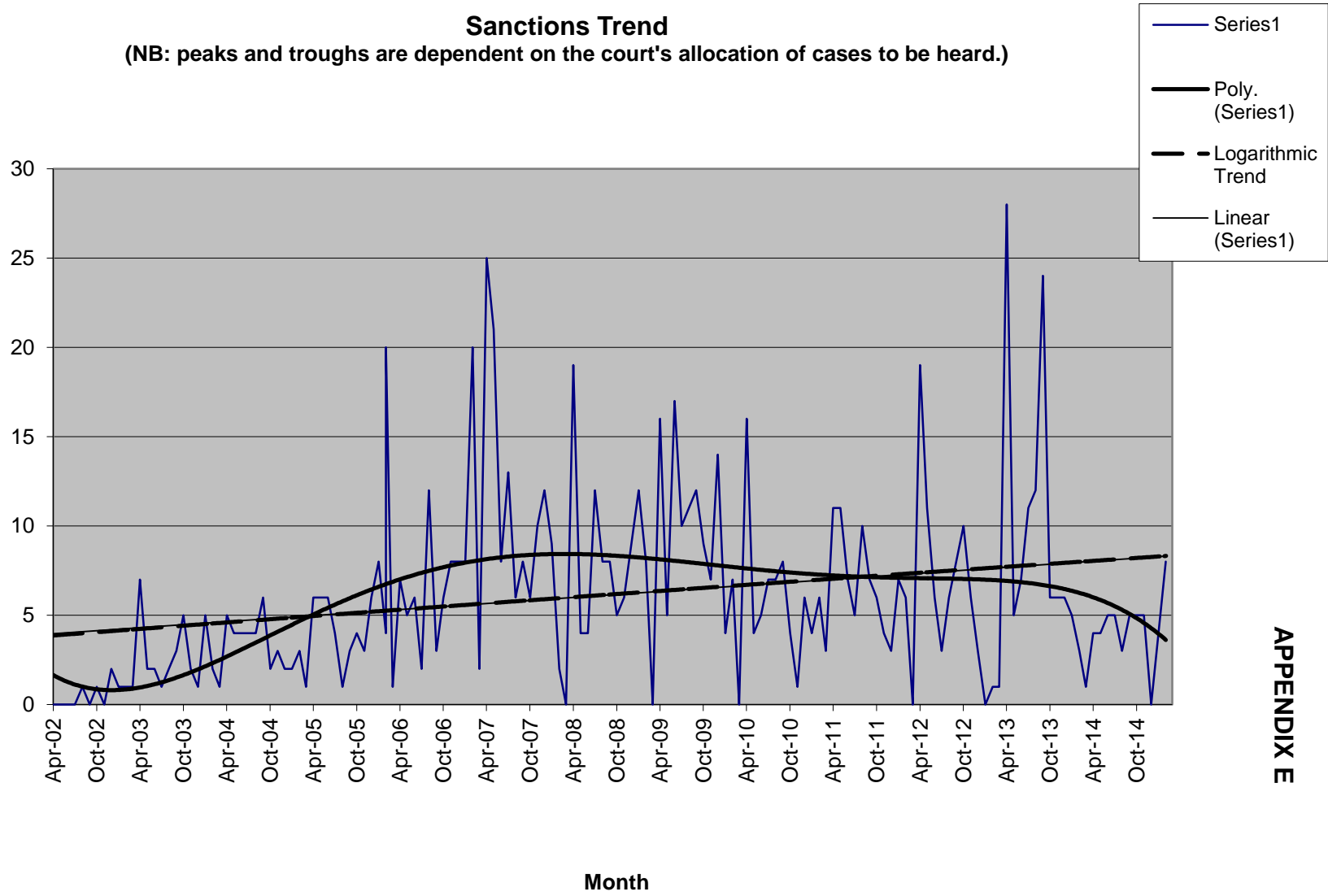
Claimant Visits	5	1	19	22	7	11	12		1	4	11	19	112
Prosecutions	8	2	9	1	5	8	5	1	5	2	6		52
Court Summonses	6	1	2	1		4	3	5			8	1	31
Admin Penalties	7	3	8	8	6	4	2	6	8	1	1		54
Formal Cautions	1			1			2		1	1			6
2010/2011	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	21	44	44	39	47	51	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		1		28
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	32	48	423
Confidential Hotline	16	9	6	4	9	8	3	9	12	4	10	10	100
Interviews	24	31	20	19	15	7	17	6	5	9	12	13	178
Claimant Visits	4			6	7	1	1	5	13	7	6	4	54
Prosecutions	12	3	1	8		7	4	1	3	4	1		44
Court Summonses	2		7	4	3	2					1		19
Admin Penalties	2	2	6	4	12	6	1	5	3		1	1	43
Formal Cautions							1			1	1		3
2014/15	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Number of Cases	21	36	42	34	17	52	47	46	27	48	39		409
Confidential Hotline	4	8	8	11	4	6	6	3	3	2	1		56
Interviews	4	12	6	11	8	19	15	12	5	17	13		122
Claimant Visits	4	4	1	5	1	1	5	4	1	2	5		33
Prosecutions	1	2	2	2	3	2	3	3		2	4		24
Court Summonses	1	6	8		1	2		4	2	1	6		31
Admin Penalties	3	2	3	2		3	2	2		2	3		22
Formal Cautions				1							1		2

HB Sanctions - Annual Comparison



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No. of sanctions



APPENDIX E

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Report No.
CEO 1501

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 1 April 2015**

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

Title: **INTERNAL AUDIT ANNUAL AUDIT PLAN 2015/16**

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 the Internal Audit Plan for 2015-16.

2. **RECOMMENDATION(S)**

Members are asked to comment on the Internal Audit Plan for 2015-16.

Corporate Policy

1. Policy Status: Not Applicable:
 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: ££660k including £313K fraud partnership costs
 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): 6.5 FTEs of which 5 FTEs including 0.5FTE for a risk officer are currently in post.
 2. If from existing staff resources, number of staff hours: 208 audit days per quarter will be spent on the 2015/16 audit plan and fraud and investigations plus a further 120 days per annum to be bought in 2015/16 from LB Wandsworth to augment the audit plan but excluding RB Greenwich investigators time.
-

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: N/A

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 .Members of this Committee had been informed in March 2015 on progress made against the 2014/15 Internal Audit Plan. There has been some slippage primarily to do with vacancies and investigative work. This is expanded on elsewhere on this agenda.

3.4 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 of maintained schools still under LB Bromley control
- External Audit

3.5 For the audit plan covering 2015/16 the methodology adopted was as follows:

- Consultation with Chief Officers, the Director of Finance and other senior officers.
- Attendance of DMTs where requested.
- 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.
- Recognition of the changing structure of this organisation and the drive towards commissioning services.

3.6 In comparison to last year we are now proposing that the audit coverage for 2015/16 decrease from 885 days to 830 days. In comparison to some London boroughs this is believed to be at the lower end of planned coverage. However, as in 2014/15 we are buying 120 days from LB Wandsworth that is included in the above figure and there may be further capacity to buy in services should there be a need, as where for example the level of investigations increase resulting in pressure in completing the plan. The time also excludes days spent on servicing this Committee. We will be carrying forward at least 0,6 FTE as a vacancy in 2015/16 which is the equivalent of 110 days however, this is offset by 90 days saved on sold services no longer being provided to the academies.

3.7 **Internal Audit and External Audit** – we continued to work closely together at Bromley to ensure the Authority's total audit resource is effectively managed and targeted. It is envisaged that this will continue with new external auditors who assume responsibility on the 1st April 2015.

3.8 The plan includes the following audits that are designated fundamental systems where key financial controls need to be covered to allow an opinion on the overall control environment as part of the statutory Annual Governance Statement. These systems include debtors, creditors, payroll, NNDR, pensions, council tax, housing benefits and council tax reduction, treasury management, parking, cash and banking, main accounting system/revenue budgetary control, and procurement. These are all included in the attached 2015/16 plan – Appendix A.

3.9 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

3.10 **Audit 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 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 and through any whistle-blowing.
- Adequate coverage is offered to schools still under LB Bromley responsibility.

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 2015/16 of 830 days includes core system audits, operational audits across the directorates, schools (excluding academies), a total of 100 days for fraud and investigative work, work in progress carried forward from 2014/15, provision for advice and support and contingency time 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 830 days is arrived at after deductions for bank holidays, annual leave including carried forward leave, training including professional post entry training, sick leave, liaison with outside bodies including our External Auditors, management time, time spent in servicing this Committee.

3.14 The plan as indicated in Appendix A allocates 325 days to the Chief Executives Department to reflect responsibility for key financial systems, IT, Legal, Property Services and HR; 300 days to Education, Care and Health Services including schools; and Public Health; 105 days to Environment and Community Services; and 100 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 2014/15 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. Fostering and Adoption was completed and report to this Committee in November 2014. Temporary Accommodation and Planning is work in progress but Parks and Greenspace we now not proposing to complete given the imminent ongoing changes in the Section. The reduction in resources and the commissioning out of services we are proposing to carry out reviews of VfM arrangements for the following audits— Youth Offending Team and SEN.

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 2015/16 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.

Audit Method/Technique	Explanation
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.
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 Changes that have resulted in input to the 2015/16 plan:

- Allocation of time to cover commissioning agenda that will impact on the plan
- Government requirements e.g. Troubled Families where there is an requirement that Internal Audit review outcomes for grant funding
- Emerging risks that can result in losses through fraud or overpayments.
- 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 with effect from 1st July 2015 that may have an impact on the plan in respect of the number of days Internal Auditors will need to spend on fraud and investigations.

3.19 Regularity audits including schools

3.20 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.

3.21 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 such as schools. 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 40 days (which will cover 9 schools plus time allowed for follow ups) compared to 60 days in 2014/15. The reduction also takes in to account that closure audits for schools that have converted to academy will now be covered by the Schools Finance Team and the fact that several schools including all but one secondary school have chosen to go to academy status and this is ongoing.

3.22 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) provide appropriate evidence for External Audit and other review agencies

3.23 Standards

3.24 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 and 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 2014/15 and NFI 2014 data gathering requirements we have allowed for at least 100 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.
- All finalised Internal Audit reports except those where exemptions apply, are now published

3.25 All audit staff will ensure they conduct themselves in accordance with the Council's Code of Conduct and the Public Sector Internal Audit Standards. 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 FTEs who will be in post there will be at least 5.0 FTEs who will directly be involved in carrying out this plan plus bought in resources from external providers. 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:	Policy
Background Documents: (Access via Contact Officer)	None

AUDIT PLAN 2015/16 SUMMARY

Department		Total Days
Chief Executives		325
Education Care and Health Services		300
Environment & Community Services		105
Anti-Fraud Work		100
Total Audit Days		830

Chief Executives

Audit	Planned Days	Coverage
Council Tax	15	Collection/Recovery methods, including provision for Bankruptcy and key controls. Also to test a sample of local council tax support payments, SPD and accounts in arrears
Creditors	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, transfer of the fraud service. Review housing discretionary fund and those not constrained by bedroom tax
NNDR	10	Coverage of key controls, and arrangements for billing, valuation, changes to reliefs and recovery and enforcement
Cash & Banking	10	To include coverage of the new kiosks at Penge Library, cash receipting and parking cash collection.
Pensions	10	Coverage of key controls of reconciliations and performance; Controls around pensions control account.
Payroll-Expenses	15	Coverage of key controls, starters, payments, deductions and variation to pay.

Debtors-Income	20	To cover reconciliations, postings, debt recovery and long term arrears, credit notes and write offs. To test controls around self service invoices and consistency of write offs.
Treasury Management	10	To cover key controls of investment register of loans and investments, review compliance with investment limits and investment policy. Also to check controls around making and receiving investments
Main A-C System and Revenue Budgetary Control	15	To test key controls, authorisation of budget monitoring, budget setting and accuracy of budget monitoring information and controls around financial administration
Liberata Contract	10	Test key controls in place for contract monitoring, payments made and the tendering process
IT Audit-Review of CareFirst system	10	To test the accuracy and completeness of information held, charges being raised and adequacy of access controls
Data Security	10	A review of data security regarding arrangements in place to mitigate data loss, including how data is shared with 3rd parties.
Uniform	5	A review of the system usage and its reconciliation to financial systems.
Internet usage	5	As per members request, a review of policies, usage and security compliance for staff and members
Chief Executives Finance-Fundamental Systems & IT Total	180	
Procurement	10	A review of non commissioned services and Gateway reviews
S106	10	Review of arrangements for the collection and expenditure of s106 money and monitoring of agreements
Chief Executives-Renewal and Recreation Total	20	

Commissioning- Client Monitoring arrangements	15	A review of recent contracted out services including the client monitoring arrangements, IT arrangements and reporting
Commissioning- Health Checks	10	Provide advice and support to the commissioning agenda and monitor sections prior to outsourcing.
Chief Executives-Commissioning Total	25	
Election Expenses	5	Review of 2014 local election expenses
Legal costs	10	A review of counsel expenditure and the collection of legal income
Governance Arrangements	5	Work required for input into Annual Governance Statement
Chief Executives Total	20	

Follow-ups		
Capital budget	2	
Leavers	2	
VAT	2	
Purchase card	2	
Insurance	2	
IT Licenses/assets	2	
Confirm	2	
Essential Car User	2	
Adecco	2	
Merit pay	2	
Property Management	2	

Advice and Support	20	
Contingency	20	
work in progress	18	
Total CEX	325	

Education,Care & Health		
Children with Mental Health	10	Review the system to assess, monitor and review children with mental health. Include payments to providers.

Central Placement Team	20	Review the systems for the Central Placement Team, referrals, commissioning services, placements and payments. Consider the accuracy of information held on the management information system. Include residential and emergency placements for adult and children's services.
Ordinary Residence	5	Review the policy for ordinary residence claims and check adherence to agreed procedures.
CareLink	5	Review the system to assess, monitor and review clients, apply agreed charges and collect income. Review the inventory and maintenance programme including use of external contractors. Verify compliance to VAT requirements.
Extra Care Housing	5	To conduct establishment visits at the in house ECH units. Consider procedures and costs in line with the ECH units managed by external provider.
Troubled Families	10	Review the system for identifying and monitoring Troubled Families. Verify the annual claim for funding submitted to DCLG in line with phase two criteria.
SEN	20	Review the systems to record, monitor and review SEN cases, including payments to external providers. Review the issues raised from the SEN investigation conducted during 2014-15. Review the system to track and monitor EHC Plans.
No Recourse to Public Funds	10	Review the system to identify and manage NRPF cases; include social care payments for rent and update on the counter fraud initiative lead by Lewisham.
Youth Offending Team	10	Review the systems operating for the YOT, including expenditure controls, contract and budget monitoring.

Learning Disabilities	10	Review the system for referral, assessment and review of service agreements. Consider contractual arrangements with external providers including placements.
Care Act	20	Significant policy changes to impact on the service. Audit time to be allocated for consultation to develop systems, managing service delivery and then financial monitoring. Conduct audit testing once procedures have been implemented and operational.
Bromley Children's Project	10	Review the systems for assessing and monitoring BCP users, including expenditure controls and income collection.
Hospital Team	5	Review the referral and assessment for clients allocated to the hospital team. Ensure that all procedures are actioned in a timely manner and information is complete and accurate. Consider any charges incurred for delayed discharge.
Temporary Accommodation	12	Review the Orchard and Shipman scheme operating at Belle Grove and rent accounts.
Choice Based Lettings	5	System review of the process for on line applications. Consider the service level agreements with RSL's and controls in place to mitigate the risk of fraud.
BSSD	5	System review of BSSD, ensure that information is recorded in a timely accurate manner and in accordance with agreed procedures. Consider the impact of Impower and Care Act for the initial contact with Adult Social Care.
ECHS Income – debtors – Rent Arrears	10	Review the application of the ECHS charging policy. Sample ECHS debt and review the procedures to recover.
Contracts and Commissioning For Public Health	15	To review the introduction of SLA's for GP Practices and associated payment arrangements. To include 5 days for agreed consultancy work.

Financial Audit checklist (Public Health)	10	Review of HIV service within Public Health with a view to design finance checks/tests to ensure compliance to financial Regulations and Contract Procedure Rules.
Adult Education Centre	5	Annual probity audit. Conduct a site visit to one of the centres either Kentwood or Poverest.
SERCOP	5	Review of controls in place to ensure clients are set up with the correct codes according to regulations.
Schools	40	To carry out planned school visits
ECHS advice and Consultation	15	Includes monthly audit liaison meetings and ongoing support to the Department
Follow Up Audits		
Fostering and Adoption	4	
LAC	2	
LCT	4	
Direct Payments	2	
Dom Care	2	
Children with disabilities	2	
Transition Team	2	
Contingency	10	
work in progress	10	
Total ECHS	300	

Environment and Community Services

Car Parking - Income- multi storey and on street	10	Review and follow-up including key control of reconciliation. Undertake joint review as lead authority. Review any future contractual arrangements for Parking Services.
Car Parking - PCNs	15	Follow up of Independent Investigation recommendations. Audit review to ensure that PCNs properly monitored to include collection - include review of new ICES system. Audit of payments made to contractor including bonuses
Waste services(Street Scene & Green Space)	10	Review of garden waste and client monitoring role.

Transport and Highways	10	Review of commissioning arrangements -to be discussed with management.
Parks and Green Spaces	5	Follow-up of previous audit recommendations and review of new client side commissioning arrangements.
Libraries	5	Audit review of stock and income controls and following up recommendations
Fixed Penalty Notices	5	Follow up of investigation recommendations; assist management in any claim from previous contractor; brief review of current contract.
Environment Protection	5	Management request
ECS Grants	5	Review of grants issued under ECS
Pool Cars & Fuel Cards	1	Follow up
Carbon Reduction Commitments	1	Follow up
Street Lighting-Invest to Save	1	Follow up to include additional testing to satisfy that savings highlighted under 'Invest To Save' have been achieved.
Transport (Street Cleansing)	2	Follow up
Advice and Support	5	
Contingency	15	
Work in progress b/fwd from 2014/15	10	
Total ENV	105	

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Report No.
CEO 1504

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 1 April 2015**

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

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

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

Chief Officer: Chief Executive

Ward: (All Wards);

1. Reason for report

This report is submitted to inform members of the findings of the External Auditor's report on the annual certification for 2013/14.

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: Not Applicable:
 3. Budget head/performance centre: External Audit
 4. Total current budget for this head: £194K to cover all aspects of audit
 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 Benefits.
- 3.2 Last year the 2012/13 annual certification work covered housing and council tax benefits, the teachers' pension return and the National Non Domestic Rates (NNDR) return. Council Tax subsidy ceased in 2013/14 resulting in no requirement for auditor testing. Work on the reasonable assurance report for the teachers' pension claim was undertaken separately by PWC for which a fee of £8,750 was charged. It should be noted that the National Non Domestic Rates Return was not audited for 2013/14 as there is no longer a DCLG requirement for external audit to do so following new arrangements introduced in April 2013 for collection and distribution of business rates. Instead the Section 151 Officer has to sign off an NNDR statement on completion of the external audit of the Authority's accounts.
- 3.3 Members are also asked to consider the adequacy of the proposed management action plan for 2013/14 set out in Appendix A and the adequacy of progress made in implementing the 2012/13 action plan in Appendix B.

4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

The audit fee for this work is £14.5K and is part of the £194k of the overall fee expected to be paid to the External Auditor in 2014/15.

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 and Personnel
Background Documents: (Access via Contact Officer)	None

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Annual Certification Report 2013/14 London Borough of Bromley

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

February 2015



The Members of the Audit Sub-Committee

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

17 February 2015

Our Reference: LBB ACR 2013/14

Ladies and Gentleman

Annual Certification Report (2013/14)

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 the certification work we have undertaken at London Borough of Bromley for financial year ended 31 March 2014.

We have also summarised our fees for 2013/14 certification work on page 5.

Results of Certification Work

For the period ended 31 March 2014, we certified one claim worth a net total of £129,295,506. The claim required a qualification letter to set out the matters arising from the certification findings. We have set out further details within the report.

We identified matters relating to the Authority's arrangements for the preparation of the relevant claim during the course of our work, some of which were minor in nature. The most important of these matters are brought to your attention in this report.

We ask the Audit Committee to consider:

- the adequacy of the proposed management action plan for 2013/14 set out in Appendix A; and

Going forward, with changes in the Audit Commission structure, only the Housing Benefit Subsidy claim will be subject to certification under the existing regime. All other requests for auditor assurance work for claims and returns will operate outside of these engagement arrangements.

Yours faithfully,

PricewaterhouseCoopers LLP

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Introduction

Scope of Work

Each year some grant-paying bodies may request certification by an appropriately qualified auditor, of claims and financial returns submitted to them by local authorities. Certification arrangements are made by the Audit Commission under Section 28 of the Audit Commission Act 1998 and is one way for a grant-paying body to obtain assurance about an authority's entitlement to grant or subsidy or about information provided within a return.

Certification work is not an audit but a different type 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; these are designed to provide reasonable assurance, for example, that claims and returns are fairly stated and in accordance with specified terms and conditions. The precise nature of work will vary according to the claim or return.

Our role is to act as 'agent' of the Audit Commission when undertaking certification work. We are required to carry out work and complete an auditor certificate in accordance with the arrangements and requirements set by the Audit Commission.

We also 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 value for money.

International Standards on Auditing UK and Ireland (ISAs), the Auditing Practices Board's Practice Note 10 (Revised) and the Audit Commission's Code of Audit Practice do not apply to certification work.

Statement of Responsibilities

The Audit Commission publishes a '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 website. It summarises the Commission's framework for making certification arrangements and highlights the different responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns.

Results of Certification Work

Claims and Returns certified

A summary of the claims and returns certified for financial year 1 April 2013 to 31 March 2014 is set out in the table below.

The Audit Commission require that all matters arising are either amended for (where appropriate) or reported within a qualification letter. The report is based on the work carried out as agent of the Commission.

A qualification letter was required to set out matters arising from the certification of the claim. All deadlines for authority submission of the claim were met. All deadlines for auditor certification were met.

Fee information for the claims and returns is summarised on page 5.

Summary:

<i>CI Reference</i>	<i>Scheme Title</i>	<i>Form</i>	<i>Original Value</i>	<i>Final Value</i>	<i>Amendment</i>	<i>Qualification</i>
BEN01	Housing Benefit Subsidy	MPF720A	£129,295,506	£129,295,506	No	Yes

Certification Fees

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

Claim/Return	2013/14 Indicative Fee	2012/13 Variation	2012/13 Proposed Final Fee	2012/13 Billed Fee	Comment
	£	£	£	£	
BEN01 Housing Benefit Subsidy	14,520	6,488	16,500	22,988	Council Tax subsidy ceased in 13/14 resulting in no requirement for auditor testing.
Total	14,520	6,488	16,500	22,988	

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

Matters Arising

There were no significant issues of note; however details of matters giving rise to our qualification of the Housing Benefit Subsidy claim are set out in Appendix A.

Prior year recommendations

We have reviewed the progress made by the Authority in implementing the certification action plan for 2012/13; details can be found in Appendix B.

Appendix A

Management Action Plan: Current year issues (2013/14)

BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2014)

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>From our initial testing of 40 cases, we found six cases where benefit had been overpaid due to the claimants moving address. The overpayment was classified incorrectly as the claimant's error when it is a technical error.</p> <p>No additional testing was performed as the Authority is not in agreement on the error.</p> <p>This matter was reported in our qualification letter.</p> <p>The Department for Work and Pensions (DWP) has subsequently written to the Authority setting out their agreement with the Audit finding. They have suggested the Authority performs further testing or alternatively accept a claw back in subsidy. The Authority is currently considering their position.</p>	<p>While the issue noted is 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.</p>	<p>The Authority now accepts that the overpayment classification of "Technical Error" be attributed to these overpayments. It is further acknowledged that the level of subsidy payable for 2013/14 will be lower than originally claimed. Written guidance will be produced to ensure that officers act in accordance with this agreement.</p>	<p>Head of Revenues and Benefits work has already commenced on producing guidance material. System interrogations being compiled to identify any cases that may have been incorrectly classified in 2014/15.</p>

Appendix B

Management Action Plan: Prior year issues (2012/13)

For 2013/14 under Audit Commission certification arrangements, the following schemes did not apply:

- LA01 National Non Domestic Rates
- PEN05 Teachers Pensions Return

Alternative arrangements may have been entered into directly between the grant paying bodies and assurance practitioners, however for the purposes of this report, which is focused on Audit Commission certification work, these schemes have been excluded; on this basis where issues arose in prior year these are now excluded from the action plan.

- BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2013)

Due to the removal of Council Tax subsidy from the 2013/14 claim form, any issues noted in 2012/13 in relation to this particular benefit type have been excluded.

A prior year action plan no longer exists.

Glossary

2013/14 Schemes applicable to the Authority under the Audit Commission Certification arrangements

BENo1 Housing Benefit Subsidy Claim

Local authorities responsible for administering statutory housing benefit (HB) of rent rebates to tenants of a local authority and rent allowances to private tenants; claim subsidy from the Department for Work and Pensions (DWP). With the exception of certain areas of benefit spending where authorities have the most scope to monitor and control costs, subsidy is paid at the full rate of 100 per cent of expenditure incurred.

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;

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

‘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;

‘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;

‘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;

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

‘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;

‘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;

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

‘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;

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

‘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 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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Report No.
CEO 1505

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 1 April 2015**

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

Title: **EXTERNAL 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

Review of the External Auditors' annual plan arrangements for 2014-15.

2. **RECOMMENDATION(S)**

Members are asked to note the External Auditor's arrangements for the Audit Plan 2014-15.

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

Members are also asked to comment on 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: Not Applicable:
 3. Budget head/performance centre: External Audit
 4. Total current budget for this head: £194K for all audit work in 2014/15
 5. Source of funding: General Fund
-

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 the External Auditor's attached report on their arrangements for the Audit Plan 2014-15.
- 3.2 Members should note the External Auditor's explanations on audit fees as set out in page 16 of their report.
- 3.3 Members are also asked to note the section on 'Risk of Fraud' on pages 13-14 of the External Auditor's report and their request seeking this Committee's views on fraud arrangements.

4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

There is a cost element in auditing the accounts for the financial year 2014-15. The total fee is expected to be £194K.

6. LEGAL IMPLICATIONS

There is a legal requirement to externally audit the accounts.

7. PERSONNEL IMPLICATIONS

None

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

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London Borough of Bromley

External Audit Plan 2014/15

Government Industry
Group

April 2015

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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 the 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 2015.

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 1 April 2015. Attending the meeting from PwC will be Katy Elstrup and Charlie Martin.

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.

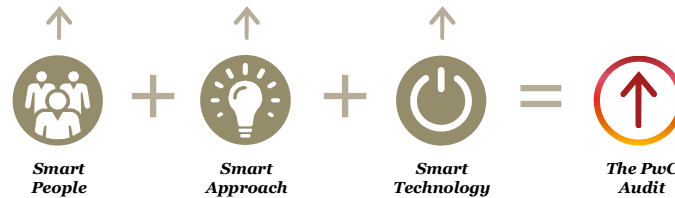
Our audit engagement begins with an evaluation of the Authority on our 'acceptance & continuance database' which highlights an overall engagement risk score and highlights areas of heightened risk.

Audit approach

The PwC Audit

1. Client acceptance & independence
2. Deep business understanding
3. Relevant risks
4. Intelligent scoping
5. Robust testing
6. Meaningful conclusions

PwC's audit is built on a foundation of smart people, a smart approach and smart technology. This together with our six-step audit process, results in an audit that is robust, insightful and relevant.



Our unique methodology involves our people, a tailored audit approach and our use of technology. Our 'smart' approach underpins our audit. The core elements of our audit are outlined on the following pages.

Client acceptance & independence

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

At the beginning of our audit process we are also 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. We have set out in Appendix A 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.

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.

Deep understanding of the Authority

Our understanding of your key issues and our wider work in the local government sector have both been considered when producing our audit plan and risks for the Authority.

Area	Point	Associated risks identified
Medium term financial plan	The Authority is operating in an increasingly challenging environment where many Local Government organisations are facing a continued reduction in funding from central government and increasing demand for their services, in particular in relation to social care.	Value for Money Conclusion - Savings Plans – financial resilience criterion
LAAP Bulletin 101: Accounting for Non-Current Assets Used by Local Authority Maintained Schools	CIPFA’s Local Authority Accounting Panel has issued a bulletin (“LAAP 101”) that provides guidance on the accounting treatment of non-current assets used by schools.	Accounting for schools
Complex supplier arrangements	<p>Following a technical release from the Financial Reporting Council (‘FRC’) in January 2015, all audits are now required to consider the risk of ‘complex supplier arrangements’ as a presumed significant risk.</p> <p>The term ‘complex supplier arrangement’ has not been defined by the FRC but attributes include: fees, contributions, discounts, multiple offers and volume rebates.</p> <p>We are considering the guidance from the FRC on the audit of complex supplier arrangements, and whether there is any action we need to take in respect of our audit of the Authority. We plan to perform such an assessment during our interim visit in April 2015.</p>	We will communicate to you any changes we make in our audit plan.
Economic Development and Investment Fund	<p>A key strand of the Authority’s financial strategy relates to economic development and generating alternative income streams.</p> <p>In pursuit of this strategy the Authority established an Economic Development & Investment Fund to look at key regeneration opportunities and other key investments which can be made in support of</p>	There are no significant or elevated risks applicable.

the overall financial strategy and promote wider economic growth within the Authority.

This fund was then split during 2014/15 to represent a Growth fund (£10m) and Investment fund (balance remaining). This was reported to Executive during 2014/15.

Crystal Palace	<p>In July 2013, the ZhongRong Group announced proposals for the Crystal Palace Project and entered into a period of exclusivity with the Authority while it developed proposed plans for the scheme.</p> <p>Following slow progress and the failure of the ZhongRong Group to meet a deadline to produce plans, the exclusivity agreement was ended.</p> <p>We are aware that the Authority continues to meet with community stakeholders to review possible options.</p>	Valuation of Property, Plant and Equipment ('PPE') and Investment Properties
May 2014 Local Elections	<p>Local council elections took place across all London Local Authorities in May 2014, with the 22 wards of the Authority returning 60 councillors.</p> <p>As related parties are an area of increased importance, there is a need for the Authority to refresh and update its register of interests.</p> <p>As part of our planning procedures, we have shared a letter with the Director of Finance to ensure that a complete list of related parties is tracked by the Authority.</p>	There are no significant or elevated risks applicable.

Relevant risks

Our audit is risk based which means that we focus on the areas that matter. We have carried out a risk assessment for 2014/15 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. A summary of the definitions of these risk categories is provided below:

● 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.
● Elevated	Although not considered significant, the nature of the balance/area requires specific consideration.
● Normal	We perform standard audit procedures to address normal risks in all other material financial statement line items.

We are required by International Standards on Auditing (UK&I) to consider management override of controls and the rebuttable risk of fraud in revenue recognition as significant risks to the integrity of the Authority's financial reporting. We will specifically review manual intervention in these areas, as well as applying a level of unpredictability into our testing.

The table starting on the next page highlights all risks which we consider to be either significant or elevated in relation to our audit for the year ended 31 March 2015.

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 ●</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>

Risk	Categorisation	Audit approach
<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 ●</p>	<p>We perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk.</p> <p>We will:</p> <ul style="list-style-type: none"> - evaluate the accounting policies for income and expenditure recognition to ensure that this is consistent with the requirements of the Code of Practice on Local Authority Accounting; - conduct tests of detail to obtain a high level of assurance over the significant risk areas described above; - conduct test of details over accounting estimates for income and expenditure; and - obtain an understanding and evaluate the controls relevant to the significant risks described above.
<p>Accounting for schools</p> <p>LAAP 101 notes that it is generally the case that for religious schools, non-current assets (such as the school buildings) are not owned by the school but by another legal body.</p> <p>The Authority therefore needs to carry out an exercise to ensure that it applies the guidance in LAAP 101 to its schools.</p>	<p>Elevated ●</p>	<p>We will audit the Authority's approach to addressing the guidance in the LAAP 101 bulletin.</p> <p>We will check that the Authority has obtained sufficient evidence to enable it to form a conclusion as to whether the non-current assets of individual schools should be included within its balance sheet.</p>

Risk	Categorisation	Audit approach
<p>Valuation of Property, Plant and Equipment ('PPE') and 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>As at 31 March 2014, the value of the Authority's PPE portfolio was £610m and the Authority held £72m of Investment Properties. These are highly significant balances.</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 and PPE. Our internal valuation experts reviewed the assumptions and methodologies used by WH&E.</p>	Elevated ●	<p>We will:</p> <ul style="list-style-type: none"> - challenge how management has satisfied itself that the key assumptions driving the revaluation of PPE and Investment Property at 31 March 2015 are appropriate for the circumstances of the Authority; - utilise our own valuation experts to review the work of the valuation experts engaged by the Authority; - test the source data used by the valuation experts engaged by the Authority; and - challenge how management has satisfied itself that the element of PPE portfolio not subject to a formal revaluation at 31 March 2015 is materially correct.

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 ●</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 will also understand and evaluate controls relevant to management override risks identified above.</p> <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 ●</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.

Intelligent scoping Materiality

	£
Overall materiality – Main accounts	12,900,000
Overall materiality – Pension fund	12,700,000
Clearly trivial reporting de minimis – Main accounts	645,000
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 2014. We will update this assessment as necessary in light of the Authority's actual results for the year ended 31 March 2015.

Overall materiality for the pension fund audit has been set at 2% of net assets for the year ended 31 March 2014. We will update this assessment as necessary in light of the Pension Fund's actual results for the year ended 31 March 2015.

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 this de minimis threshold.

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;
- have regard to the findings of Internal Audit on our risk assessment and testing approach;
- 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.

The Authority in common with many local authorities is experiencing increased pressures on many of its budgets. Current and forecast reductions in funding and changing demand for services requires the Authority to deliver significant savings in current and future years. Budget holders may feel under pressure to try and push costs into future periods or to miscode expenditure to make use of resources intended for different purposes.

There is a risk that saving plans may not be robust and the Authority is unable to demonstrate that it has achieved value for money in its use of resources.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. Therefore, we will review your medium term financial plan and consider:

- how you manage the plan, and will investigate the reasons behind any significant variations from the plan;
- what arrangements are in place around financial governance, financial control and financial planning;
- your record in delivering savings;
- the judgements and assumptions underpinning the plan;
- the governance structure in place to deliver the targets (including extent of Member involvement and capacity of the management team);

- the level and extent of accountability;
- project management arrangements;
- monitoring and reporting; and
- progress on delivering the plan.

We will also consider the accounting implications of your savings plans and we will consider the impact of the efficiency challenge on the recognition of both income and expenditure.

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 will share insights and observations with 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, 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.

In March 2015, Janet Dawson resigned and left the firm to take on a new opportunity. Katy Elstrup has taken over as engagement leader for the audit. With Katy previously being the engagement director for the audit, Katy has a deep knowledge of the Authority and is known to management. Katy will be attending the Audit Sub-Committee on 1 April 2015 with Charlie Martin. Katy is looking forward to meeting members and discussing the content of our update paper with you then.

The core members of your audit team are:

Audit Team	Responsibilities
<p><i>Engagement Leader</i> Katy Elstrup 02072 133070 katy.elstrup@uk.pwc.com</p>	<p>Engagement Leader 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), quality of outputs and signing of opinions and conclusions.</p>

Engagement Manager

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

Manager on the assignment responsible for overall control of the audit engagement, ensuring delivery to timetable, delivery and management of targeted work and overall review of audit outputs. Completion of the Audit Plan, ISA 260 Report and Annual Audit Letter.

Team Leader – Main Audit

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

Responsible for leading the field team, including the main accounts audit, including audit of the statement of accounts, and governance aspects of our work. Regular liaison with the finance team and the pension fund team.

Team Leader – Pension Fund

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

Responsible for leading the field team for the Authority's Pension Fund. Regular liaison with the finance team and the main audit team.

Your audit fees

The Audit Commission has provided indicative scale fees for Local Authorities for the year ended 31 March 2015.

We previously wrote to the Authority on 6 May 2014 to inform you of the proposed audit fee based on the risk-based approach to audit planning set out in the Audit Commission's Code of Audit Practice and work mandated by the Commission for 2014/15.

The Audit Commission undertook a consultation that ended in November 2014, in relation to a supplementary audit fee due to additional audit work required on business rates. This is due to the fact that auditors are no longer required to undertake certification work for the Department of Communities and Local Government on national non-domestic rates, following the introduction in April 2013 of new arrangements for collecting and distributing business rates. Prior to 2013/14 in completing work on the financial statements we were able to place reliance on certification work relating to national non-domestic rates. In the absence of this work, we need to undertake additional audit procedures on material business rates balances and disclosures in the financial statements. This additional work requires an additional fee, which the Commission have included within the planned audit fee for the 2014/15 audit.

In addition to the fact that auditors are no longer required to undertake certification work relating to national non-domestic rates, 2013/14 also saw changes to the certification requirements in relation to BENO1. Previously we were able to rely on the certification work undertaken surrounding BENO1. However, due to the changes in the certification requirements, additional audit procedures are required to gain assurance over the material benefit balances. In 2013/14

a fee variation of £1,950 was agreed with the Authority and the Audit Commission for undertaking this work. Such additional work will be required as part of our audit of the 2014/15 financial statements. We will keep the Authority informed of, and proactively agree, any fee variations with you in advance of completing our audit work. Any fee variations proposed are subject to receiving agreement from the Audit Commission.

Lastly, the fee for the certification of claims and returns has increased by £5,710. This follows a national consultation led by the Audit Commission. The base year for the 2014/15 fee is 2012/13 when the BENO1 return was qualified, while the based year for 2013/14 fee was 2011/12 when the BENO1 return was not qualified.

Our indicative audit fee for 2014/15 compared to the actual fee for 2013/14 is as follows:

Audit fee	Actual fee 2013/14	Indicative fee 2014/15
	£	£
Audit work performed under the Code of Audit Practice	159,318	160,718*
- 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	14,520	20,230
Total Audit Code work	194,838	201,948

** The indicative scale fee includes an additional element of £1,950 for the additional work required to gain assurance over the material benefit balances in the Authority's financial statements. Any fee variations proposed are subject to receiving agreement from the Audit Commission.*

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.

In 2013/14, we also undertook work on the reasonable assurance report for the Teachers Pensions claim. This was not part of the Audit Commission certification process for 2013/14 and therefore was undertaken via a separate PwC engagement letter. The fees for this work were £8,750.

The work related to the elector's objections to the 2012/13 and 2013/14 financial statements is ongoing and therefore the fee for this is not finalised. At the time of presenting this report, the total cost to date for this work is £34,000. We will provide a verbal update to members on the matter, addressing any questions you may have on the work ongoing as well as the costs incurred to date.

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
<p>Certification of claims and returns within the scope of the Audit Commission Code of Audit Practice</p> <p>This will be occurring in 2014/15.</p>	20,230	<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>
<p>Work outside the scope of the Audit Commission Code of Audit Practice – procedures on the 2013/14 Teachers’ Pensions return</p> <p>This is expected to re-occur in 2014/15.</p>	8,750	<p>Self Interest Threat: Fees are not material in relation to the audit fees and PwC’s total income.</p> <p>Self-review Threat: This does not arise as the work we undertook provided reasonable assurance over the accuracy of the teachers’ pension return for and will not be relied upon by the PwC audit team as part of the audit of the main accounts.</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: This does not arise as the work will be limited to the testing of information provided by the client and does not result in advocacy. PwC are</p>

carrying out reasonable assurance procedures and not providing assurance or advocacy on behalf of the client.

Familiarity Threat: This does not arise as a separate team from the audit team is being used to carry out this work.

Intimidation Threat: We have concluded that this work does not pose an intimidation threat.

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

ISA (UK&I) 260 ‘Communication of audit matters with those charged with governance’ requires auditors to plan with those charged with governance the form and timing of communications with them. We have assumed that ‘those charged with governance’ are the Audit Sub-Committee and the General Purpose and Licensing Committee (‘GP&L’). Our team works on the engagement throughout the year to provide you with a timely and responsive service.

We will produce two key documents reporting on the progress and overall results of the engagement:

Report	Purpose	Presentation to the Audit Sub-Committee or GP&L
Audit plan	Sets out our planned audit approach and response to the risks we have identified for the audit to date. This includes a summary of key issues arising from our planning work.	April 2015
ISA260: Report to those Charged with Governance	Update to our procedures for both the main audit and pension fund Summarises the key issues arising from the annual audit. This will be presented to the GP&L.	September 2015

Below is a summary of when we expect to provide the Audit Sub-Committee or GP&L with the outputs of our audit.

Required Communication	Planning	Completion	As required
Independence and objectivity confirmation	✓	✓	
Detail of all non-audit work performed by the firm and related fees	✓	✓	
Nature and scope of work together with timing of expected reports	✓		
Expected modifications to the auditors’ report		✓	✓
Uncorrected misstatements		✓	
Significant deficiencies in internal control identified during the audit		✓	✓
Views about the qualitative aspects of the Authority’s accounting practices and financial reporting		✓	

Required Communication	Planning	Completion	As required
Matters specifically required by other ISAs (UK&I) to be communicated to those charged with governance	✓	✓	✓
Final draft of representation letter		✓	
Any other audit matters of governance interest		✓	✓
Annual audit letter			✓
Annual certification report			✓

Appendix C: 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 2014 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 2013/14 audits are expected in 2015 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 manager and team leaders have been involved in the audit of the Authority for a number of 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 dedicated IT specialists on the audit and share their insight and experience of best practices with you.

Smart Approach

Data auditing

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

In 2014/15 we anticipate the work will include testing journals using data analytics, ensuring we consider the complete population of journals and target our detailed testing on the items with the highest inherent risk.

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.

Appendix D: Other engagement information

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

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

There are six 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.

Appointed auditor

Katy Elstrup, a director in the firm, will discharge the responsibilities of the appointed auditor and in doing so will bind the firm although Katy Elstrup is not a partner.

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 Katy Elstrup.

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.



Appendix E: Use of service centres

Private & Confidential

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

March 2015

Dear Ladies and Gentlemen,

Working more efficiently

As we communicated in the prior year, one principle which has 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 (e.g. 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 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.

London Borough of Bromley

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

Yours sincerely

Katy Elstrup

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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By virtue of paragraph(s) 1, 2, 3, 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

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