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DATE: 24 March 2016

To: Members of the
AUDIT SUB-COMMITTEE

Councillor Neil Reddin FCCA (Chairman)

Councillor Alan Collins (Vice-Chairman)

Councillors Ian Dunn, Peter Fortune, William Huntington-Thresher, Keith Onslow and Stephen Wells

A meeting of the Audit Sub-Committee will be held at Committee Room 1 - Bromley Civic Centre on **TUESDAY 5 APRIL 2016 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 1ST DECEMBER 2015--EXCLUDING THOSE CONTAINING EXEMPT INFORMATION (Pages 5 - 12)**
- 4 **QUESTIONS FROM MEMBERS OF THE PUBLIC OR COUNCILLORS**

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 30th March 2016.

- 5 **MATTERS OUTSTANDING FROM THE LAST MEETING--PART 1 (Pages 13 - 16)**
- 6 **INTERNAL AUDIT PROGRESS REPORT (Pages 17 - 46)**
- 7 **ANNUAL INTERNAL AUDIT PLAN 2016-17 (Pages 47 - 64)**
- 8 **EXTERNAL AUDIT ANNUAL PLAN 2016-17 (Pages 65 - 108)**
- 9 **QUESTIONS ON THE REDACTED REPORTS PUBLISHED ON THE WEB**

Members have been provided with advance copies of the reports via email.

The reports are also available on the Council's website via the following link:

<http://cds.bromley.gov.uk/ieListDocuments.aspx?CId=559&MId=5777&Ver=4>

- 10 EXTERNAL AUDIT- GRANT CERTIFICATION REPORT (Pages 109 - 128)**
- 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

- | | |
|--|---|
| <p>12 EXEMPT MINUTES OF THE MEETING HELD ON 1ST DECEMBER 2016 (Pages 129 - 134)</p> | <p>Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.</p> |
| <p>13 MATTERS OUTSTANDING FROM THE PREVIOUS MEETING-PART 2 (Pages 135 - 138)</p> | <p>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)</p> |
| <p>14 EXTERNAL AUDIT-UPDATE ON OBJECTIONS TO THE ACCOUNTS (Pages 139 - 150)</p> | <p>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)</p> |
| <p>15 INTERNAL AUDIT FRAUD & INVESTIGATION REPORT (Pages 151 - 182)</p> | <p>Information relating to any individual.
Information which is likely to reveal the identity of an individual.
Information relating to the</p> |

financial or business affairs of
any particular person (including
the authority holding that
information)

16 DATE OF THE NEXT MEETING

The date of the next meeting of the Audit Sub Committee is July 6th 2016

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AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.00 pm on 1 December 2015

Present:

Councillor Neil Reddin FCCA (Chairman)

Councillors Ian Dunn, Simon Fawthrop and Keith Onslow

Also Present:

Sara Bowrey, Deepali Choudhary, Nigel Davies, Dan Jones, James Newell, Doug Patterson, Linda Pilkington, Luis Remedios and Dave Starling, Barrie Cull

13 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies were received from Cllr Peter Fortune, and from Cllr William Huntington Thresher. Cllr Simon Fawthrop attended as alternate for Cllr Huntington Thresher.

14 DECLARATIONS OF INTEREST

Councillor Fawthrop declared an interest as his wife was employed by Bromley Adult Education College, and as the parent of a child attending a Bromley School.

Cllr 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 Onslow declared an interest as an agency worker, and that he worked part time for the Zurich Insurance Company.

15 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 25th JUNE 2015 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

The public minutes of the meeting held on 25th June 2015 were agreed.

16 QUESTIONS FROM MEMBERS OF THE PUBLIC OR COUNCILLORS ATTENDING THE MEETING

No questions had been received.

17 MATTERS OUTSTANDING--PART 1

Report CSD16003

It was noted that concerning the issue of the scrutiny of contracts by Members, this matter had now been referred to the E&R PDS Committee, and that a Contracts Working Party had now been set up and was meeting regularly.

The other matters were either completed or were being updated in the various progress reports on the agenda.

RESOLVED that the Matters Arising report be noted.

18 QUESTIONS ON THE AUDIT SUB COMMITTEE REDACTED REPORTS PUBLISHED ON THE WEB

Two questions had been received from Cllr Ian Dunn:

Housing Benefit.

How do we obtain assurance from the contractor that their staffing and processes are adequate to deal with the forecast volume of work, particularly given that the length of time for the processing of Discretionary Housing Payments can be long and most appeals appear to take longer than the SLA? Do we have agreed forecasts of workload for these and other items?

Answer:

Work has been carried out recently to reduce the time to process applications. The current performance for application processing is now within targets. For DHP, Bromley has to approve payments and there tends to be a build-up of claims around year end. Appeals also come to Bromley now.

Liberata Final Report.

Is it possible for LBB staff to be given the ability to run reports now, rather than wait till after March 2018 when the existing contract ends?

Answer:

Currently LBB officers do not have the facility to run reports. This would require training and variation to the contract which could be considered on expiry of the current contract.

RESOLVED that the redacted reports published on the web be noted.

19 INTERNAL AUDIT PROGRESS REPORT

Report CEO 15011

The audit of Family Placements was undertaken as part of the 2014/15 audit plan, at the request of the Assistant Director for Safeguarding and Social Care. This had resulted in 8 P1 recommendations and a nil assurance. The Head of Internal Audit explained that progress was being made, although it was a bit slow. There were still problems with training that required resolution; only 1 out of 9 staff identified to undertake training concerning financial regulations and contract procedure rules had completed and passed the training. There were still outstanding DBS checks that required chasing. Of the 8 P1 recommendations tested to confirm implementation, 3 were still outstanding, and 5 were found to be partially implemented.

Good progress had been made concerning the Leaving Care (Payments to Clients) audit review. The findings of the review were that of the 6 partially implemented recommendations, 4 had been implemented, and the 2 relating to pathway plans and purchase cards remained as partially implemented.

The audit review of Looked after Children found that care plans and placement plans had been completed and authorised in a timely manner, and the recommendation was therefore considered implemented. The second P1 recommendation on recovery of an overpayment was currently being pursued to the satisfaction of Internal Audit and therefore was considered implemented.

The P1 recommendation pertaining to rent arrears for emergency accommodation was the longest outstanding. The process of the reconciliation of accounts with Orchard and Shipman was underway, and this may reduce the level of rent arrears. However, there was currently still a high level of uncollected rent, and so this recommendation remained outstanding. The Head of Internal Audit reminded the Committee of the recommendations concerning the Essential Car User scheme which was being phased out. Management were implementing the recommendations and therefore all three priority one recommendations had been implemented.

The audit review of Domiciliary Care revealed that there were still problems with agreements closed on incorrect dates, and agreements not being closed after a person was deceased. Therefore the two P1 recommendations remained open.

The audit follow up on the priority one recommendation made in the Transition Team audit, regarding under and overpayments in direct payment cases showed that this was still outstanding.

There had previously been an audit of a primary school that revealed problems with poor cash control. The school had since converted to an Academy, and the recommendations would be followed up by the responsible

officer. The School Finance Team were now involved in improving financial controls.

The Head of Internal Audit reminded the Committee that from April 2002 to September 2015, LBB had worked with RB Greenwich Fraud Team in successfully prosecuting Housing Benefit Fraud; during this period, 420 claimants had been successfully prosecuted. Since 1st July 2015 all new cases of suspected benefit fraud were now referred to the DWP's Single Integrated Fraud Service. Internal Audit had received some feedback from SFIS, including the fact that 6 referrals had been lost. There were 29 cases under criminal investigation, but no successful prosecutions to date. The Head of Audit stated that this would be the last time for reporting on housing benefit statistics given the completed transfer of the service to the DWP.

The Head of Internal Audit briefed the Committee concerning section 3.44 of the report, which outlined the new anti-fraud and corruption strategy. Appendix F followed the report which outlined the new strategy. The Anti-Fraud and Corruption Strategy document required approval and subsequent uploading onto the system by Finance.

Cllr Ian Dunn referred the Committee to section 19 of the Raising Concerns Policy that dealt with Monitoring and Oversight. He commented that he had not seen this process in action. The Head of Internal Audit confirmed that the process was in place and was active.

Members noted the Bromley fraud activity statistics for 2014/15 that is now required in compliance with the Transparency Code was to be published on the web.

Members turned their attention to the issue of objections to the accounts, and noted that there were three objections that were ongoing. At this point the Chief Executive joined, and participated in the discussions concerning the objections. Cllr Fawthrop commented that it was good to receive objections, and that perhaps LBB needed to be more open concerning their accounts. The Chief Executive concurred with the need for transparency, but felt that as this matter had been ongoing for some time, it was necessary that it now be concluded. The person that had objected to the LBB accounts had undertaken the same course of action with other boroughs.

Cllr Keith Onslow asked if the objections were valid, and if there was a formal process to draw the matter to a conclusion, he also wondered if the matter could be referred to the Ombudsman. Cllr Fawthrop suggested that the matter be referred to the local MP to be raised in the House of Commons. The Head of Internal Audit informed the Committee that LBB had met with the Objector, and had presented evidential information as required. The Chief Executive stated that LBB should be more robust with the External Auditors. Cllr Fawthrop suggested that the Objector be asked if he would like to raise questions concerning the accounts in a public forum at the GP&L Committee.

It was agreed that there needed to be a summary of information provided by LBB to the objector to date, in compliance with guidelines. Once done, Members would offer their support with regard to raising the matter with External Audit. The Head of Internal Audit commented that the Director of Finance had raised this issue with other London treasurers and with Public Sector Audit Appointments Ltd (the body that had taken over from the Audit Commission to oversee the external audit contracts). There was no outcome, objections were seen as being an independent process between the objectors and the external auditors.

The Committee discussed the update on Risk Management and heard that a new risk matrix had been approved by the Corporate Risk Management Group, and was going to Directors for approval. The Committee were informed that LBB's main corporate risks were being updated and included fraud, budget savings and commission/contract monitoring. There was a debate on the number of high and significant risks and the criteria behind this. There were also queries on the new control matrix in terms of impact and likelihood. The Head of Internal Audit pointed out that the submissions on risk classification had not been fully completed and details appearing in the report could change after management/DMT scrutiny of their risks. It was agreed that the complete details of high and significant risks be submitted to the next meeting of this Committee together with the revised corporate risks.

RESOLVED:

- (1) that the Internal Audit Progress report be noted**
- (2) that the list of Internal Audit reports published on the web be noted**
- (3) that the list of waivers sought since March 2015 be noted**
- (4) that the benefits of the counter fraud partnership (and impending changes) with RB Greenwich be noted**
- (5) that the revised Anti-Fraud and Corruption Policy be approved**
- (6) that the new arrangements around risk management be noted**
- (7) that the Letter of Representation be noted**
- (8) that the new training arrangements around Audit Controls be noted**
- (9) that concerning objections to the accounts--there needed to be a breakdown/summary of work done by officers and information provided to date, with a timeline to evidence that LBB had complied with guidelines. Once completed, Members would offer their support with regard to raising this matter with External Audit.**
- (10) that the details for high and significant risks be submitted to this Committee together with the revised Corporate Risks.**

20 FINANCIAL REGULATIONS & CONTRACT PROCEDURE RULES

Report CEO 15013

The Committee looked at the comprehensive report written by the Head of Audit concerning Financial Regulations and Contract Procedure Rules.

The report was required as it had been three years since Members had approved previous updates. Both documents now required updating due to changes in legislation, government requirements, organisational change and technology.

The Committee were referred to section 3 of the report where the main changes were summarised. The Committee heard that the regulations and rules had been working well, and that the current proposals were basic amendments to current procedures. Of particular significance were proposals to use electronic signatures to cut down on bureaucracy, and clarification on the rules concerning paying for services in advance. Similarly, there was also a proposal to increase the individual debt write off limits which would also reduce bureaucracy and align LBB with other local authorities. The Committee were informed that a new Transparency Code had been drafted in line with new requirements that had been set out in the Local Government Transparency Code.

The Committee were informed that the limit for righting off low level debts had been increased from £5k to £15k. This was one of the changes recommended for approval by the Audit Sub Committee. Cllr Fawthrop questioned why LBB were seeking to implement the limit increase. He felt that it was not good enough just to be aligning with other boroughs, perhaps the other boroughs were adopting a policy that was too lax. The Head of Internal Audit explained that the reasons for the increase was to reduce bureaucracy at a time when there were reductions in staffing resources. It was also the case that all recovery methods for large debts were explored by management before debts were written off and that write offs including large debts were audited annually to ensure compliance with procedure.

Cllr Fawthrop asked if spot checks would be undertaken on some of the debts that had been written off, and the answer to this was yes. Cllr Fawthrop was relieved to hear this, and reminded the Committee that there was a previous problem with a staff member writing off personal debt. The Head of Internal Audit commented that these debts were under £10.00. Cllr Fawthrop suggested that perhaps there should be a "split" applied to the way debts were written off. He suggested that the write off of cash debts should be limited to £5k. The Chairman stated that he was happy to support the revised limit of £15k.

Cllr Fawthrop asked the Head of Internal Audit for more information about how many debts there had been in the last financial year between £5k and £15k. The Head of Internal Audit responded that he would look into this and email the information to Sub Committee Members.

Cllr Keith Onslow directed the attention of the committee to Section 5, (sub section 22) of the report which dealt with “Risk Assessment and Contingency Planning”. He was concerned about project risk, and asked if there was a formal risk assessment process in place. Mr Dave Starling (Head of Procurement) responded that in all projects involving corporate and high level risks, a Risk Manager would be allocated to oversee any potential risks to the project.

The Committee noted that the report stated that for all contracts with a value over £50k, the Contract Manager was required to:

- Maintain a risk register during the contract period
- Undertake appropriate risk assessments
- Ensure contingency measures were in place

Cllr Onslow asked if a Risk Matrix was used, and Mr Starling responded that it was. Cllr Onslow asked about the recent decisions made by the Executive concerning Biggin Hill, and commented that he did not see any reference to risk assessment on the documentation. He wondered if a risk assessment had been undertaken. Mr Starling asked what specific contracts Cllr Onslow was referring to. If it was to do with the airport lease, then the query would have to be referred to the appropriate section.

Cllr Onslow was of the opinion that a risk assessment should have been carried out concerning the lease agreement with Biggin Hill Airport. He stated that if one was not undertaken, then he would like to see one carried out. He asked if this was possible. Cllr Simon Fawthrop commented that if a risk assessment had not been undertaken, then the decision may have to be called back in.

The Chairman referred the Committee to page 272 of the agenda, and section 5 which dealt with Contract Management. Cllr Fawthrop asked if this information had gone to Members of the Contracts Working Party, and particularly to Cllr Stephen Wells. The Chairman expressed the view that Cllr Wells would have this information available. The Committee noted that the proposed changes to Financial Regulations and Contract Procedure Rules would be presented to the GP&L Committee at their next meeting.

RESOLVED

(1) that the changes proposed for Financial Regulations be approved

(2) that the changes proposed for Contract Procedure Rules be approved

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

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

22 MATTERS ARISING FROM THE MEETING ON 25th JUNE 2015- PART 2

Report CSD 16004

The part two (private) Matters Arising report was noted.

23 INTERNAL AUDIT FRAUD & INVESTIGATION REPORT

CEO 15012

Members noted the report and commented upon matters arising from the Internal Audit Fraud and Investigation Report.

Members approved the four audit reports where LBB were seeking exemption from publication for the reasons stated.

The full minutes of this item are detailed in the part two minutes.

24 EXEMPT MINUTES OF THE MEETING HELD ON 25th JUNE 2015

RESOLVED that the Exempt Minutes of the meeting held on 25th June 2015 be agreed.

The Meeting ended at 9.30 pm

Chairman

Report No.
CSD 16053

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **5th April 2016**

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 (Part 1) from previous meetings.

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: **£326,980.**
 5. Source of funding: 2015/16 revenue budget
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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.
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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.
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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 fficer)	Previous Minutes of Audit Sub Committee.

Appendix 1

Issue & Date	Summary	Action being taken	By	Estimated Completion
Minute 29 1 st April 2015 Internal Audit Progress Report	The Committee were interested to learn that a new online Risk Management course was being developed with Workforce Development.	Ongoing. Dave Stevenson-- Risk Officer is working with HR and Nexus.	Dave Stevenson, HR and Nexus	Update is provided in the Progress Report. Launching July 2016
Minute 19 1 st December 2015 Internal Audit Progress Report	The Head of Internal Audit briefed the Committee concerning section 3.44 of the report, which outlined the new anti-fraud and corruption strategy. Appendix F followed the report which outlined the new strategy. The Anti-Fraud and Corruption Strategy document required approval and subsequent uploading onto the system by Finance.	Anti-Fraud and Corruption Strategy document to be approved and uploaded to the system.		The Strategy Document has been approved and uploaded
Minute 19 1st December 2015 Internal Audit Progress Report	Members noted the Bromley fraud activity statistics for 2014/15 that is now required in compliance with the Transparency Code to be published on the web.	Bromley Fraud activity statistics to be published on the web.	Head of Audit	Report was already on the web- the appendix was a download of what was on the web.
Minute 19 1st December 2015 Internal Audit Progress Report	The Committee discussed the update on Risk Management and heard that a new risk matrix had been approved by the Corporate Risk Management Group, and was going to Directors for approval.	The New Risk Matrix was to go to Directors for approval.	Directors.	Covered under Risk in the Progress report.
Minute 19 1st December 2015	Resolved that concerning objections to the accounts--there needed to be a	Breakdown and Summary of work done to date concerning the	Head of Audit to consult with External	On discussion with management, it was felt that Internal Audit

<p>Internal Audit Progress Report</p> <p>Resolution 9</p>	<p>breakdown/summary of work done by officers and information provided to date, with a timeline to evidence that LBB had complied with guidelines. Once completed, Members would offer their support with regard to raising this matter with External Audit.</p>	<p>objections to the accounts-with a timeline, be evidenced to the Audit Sub Committee.</p>	<p>Auditor</p>	<p>contact the External Auditor directly for an explanation on progress and on bringing this matter to a satisfactory conclusion. The External Auditor has agreed to attend the April meeting and an update is provided in Part 2.</p>
<p>Minute 19</p> <p>1st December 2015</p> <p>Internal Audit Progress Report</p> <p>Resolution 10</p>	<p>Resolved that the details for high and significant risks be submitted to this Committee together with the revised Corporate Risks.</p>	<p>Risk details and revised corporate risks to be submitted to the Committee</p>	<p>Internal Audit</p>	<p>The Internal Audit Progress report provides an update. Section 3.61 of the report.</p> <p>The update is attached as Appendices C and D.</p>
<p>Internal Audit Fraud and Investigation Report</p> <p>Part 2 Reports.</p>	<p>Matters relating to:</p> <p>Highways-Vehicle Crossovers</p> <p>Manorfields</p> <p>Review of Stray Dogs Contract</p> <p>Green Garden Waste</p> <p>Temporary Accommodation .</p>	<p>See updated Part 2 reports.</p>	<p>Head of Internal Audit</p>	<p>Various.</p>

Report No.
CEO 16015

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Tuesday 5 April 2016**

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
- 3.33 Audit Activity
- 3.35 Publication of Internal Audit Reports
- 3.38 Waivers
- 3.42 VfM arrangements
- 3.46 Housing Benefit Update
- 3.51 Other Matters
- 3.58 Training
- 3.60 Risk Management

2. **RECOMMENDATION(S)**

- a. **Note the Progress report and comment upon matters arising.**
- b. **Note the list of Internal Audit Reports publicised on the web.**
- c. **Note the list of waivers sought since October 2015.**
- d. **Note the value for money arrangements reviewed by Internal Audit.**
- 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: Recurring Cost Non-Recurring Cost Not Applicable: Further Details
 3. Budget head/performance centre: Internal Audit
 4. Total current budget for this head: £540K including £174K fraud partnership costs
 5. Source of funding: General fund, Admin subsidy, Admin penalties, Legal cost recoveries
-

Staff

1. Number of staff (current and additional): 6 FTE including 0.5 FTE risk officer post
 2. If from existing staff resources, number of staff hours: 209 audit days per quarter is spent on the audit plan and fraud and investigations with 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 110 including Chief Officers, Head Teachers and Governors
-

Ward Councillor Views

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

3. COMMENTARY

- 3.1 The latest list of outstanding priority one recommendations is shown in Appendix A. There has been a further addition detailed below since the last meeting of this Committee. There has also been some movement in priority one recommendations brought forward that are detailed below.
- 3.2 Progress on implementation of recommendations for Fixed Penalty Notices (1 partially outstanding priority one recommendation out of 6 priority ones made originally- see part 2); Stray Dogs (5 outstanding priority one recommendations and 1 partial outstanding out of 9 priority one recommendations originally made- see Part 2) , CCTV (1 priority recommendation implemented out of 1 originally made-see part 2), Temporary Accommodation (2 outstanding priority recommendations out of 3 priority one recommendations original made- see part 2), Waste Services (2 outstanding priority recommendations out of 3 priority one recommendations originally made- see part 2), Astley Day Centre(3 priority one recommendations implemented out of 3 priority one recommendations originally made-see part2) and Disabled Facilities Grants (1 priority one recommendation implemented out of 1 priority one recommendation originally made-see part 2). The above are covered in part 2 of this agenda. The rest of the updates are detailed below. Family Placements (of the 8 priority one recommendations all have now been implemented); Leaving Care (9 priority 1 recommendations made of which 8 have been implemented and 1 priority one is partially implemented); Creditors (1 outstanding priority one recommendation out of 1 priority one made); Transition Team (1 priority one recommendation made which is outstanding); and Domiciliary Care (2 priority one recommendations made both of which remain outstanding). There is also a brief reference below to the outstanding priority one recommendations on Rent Arrears. There is one new priority one recommendation arising from planned audit work in Extra Care Housing.
- 3.3 **Family Placements**
- 3.4 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 followed up these recommendations and reported to the previous two meetings of this Committee that progress was not satisfactory and that an additional priority one regarding DBS checks had been added on.
- 3.5 At the November 2015 meeting Members were informed that 3 recommendations relating to training, DBS checks and residence orders were still outstanding and 5 recommendations relating to overpayments, savings, kinship, SGO and legal orders had been partially implemented.
- 3.6 The third follow up audit review has now been completed; interviewing management and undertaking sample testing. Our findings have shown that significant improvements have been made and the team have conducted case reviews to identify and locate the supporting documentation. Audit testing identified legal orders for the sample of SGO, residence orders and kinship cases. The Head of Service confirmed that the priority 1 issues raised by Internal Audit are reviewed weekly and procedures have been put in place to ensure all officers are aware of their roles and responsibilities.
- 3.7 The Head of Service meets bi-monthly with Finance to review the aged debtors list and to take action to recover where appropriate. Audit testing on the overpayments list did not identify any new cases with high balances since the last follow up indicating that procedures brought in by management have been effective.

- 3.8 There was still an issue with outstanding DBS checks however it was confirmed that the delay was at stage 4, the police check and that the team had started the renewal process in a timely manner. For placements with foster carers with expired DBS, additional controls are in place i.e. a risk assessment and increased visits.
- 3.9 It was confirmed that all identified staff within the team had completed and passed the mandatory training for Financial Regulations.
- 3.10 The audit testing was satisfactory in all areas and allows the priority 1 recommendations to be progressed to implemented. The follow up Internal Audit report will upon finalisation, be redacted and published on the web.
- 3.11 **Leaving Care (Payments to Clients)**
- 3.12 A previous audit of this area resulted in a nil assurance opinion and 9 priority one recommendations were reported to this Committee. At the last cycle we reported that 7 of these recommendations had been fully implemented with two deemed to be partially outstanding. The 2 recommendations, related to pathway plans and purchase cards.
- 3.13 Pathway Plans (PP): The Head of Service for Care and Resources is closely monitoring PP for timely completion and quality. The monitoring report weekly is reviewed, discussing performance with individual workers if required. The Department have set a target of 85% to be an accepted performance level. Pathway plans is now reported to the monthly performance board chaired by the Chief Executive. The most recent performance report details show that of the 204 eligible young people, 182 (89%) have a PP completed and authorised in the last 6 months, 4% had a PP completed by the worker but awaiting authorisation. A sample of 5 clients tested by Audit showed that 3 had a completed, authorised PP within the 6 month target and were open but within the agreed tolerance. This shows a significant improvement to the performance originally identified in the audit report. Reporting to the board should ensure that the agreed target is met and exceeded. This recommendation is now considered to be implemented.
- 3.14 Purchase cards: The purchase card transaction report issued to officers in January 2016 showed 87 payments for the 4 purchase cards held by the Leaving Care Team (LCT). The report indicates that payments are not being validated and authorised in a timely manner as is shown below, transactions back to August 2015 are still outstanding. The audit testing was undertaken on the 25th January 2016 and discussed with the LCT Monitoring Officer and Group Manager on the 9th February.
- 3.15 A sample of 13 payments was selected for audit examination to verify supporting documentation and record keeping. 5 of the 13 related to clients for Setting Up Home Allowances (SUHA) and were checked to client monitoring and the request for finance form. 1/5 was authorised and recorded 2 months after the transaction date; 1/5 was authorised to be deducted from SUHA but not recorded on the client record; 3/5 were satisfactory. The remaining 8 transactions (waiting account holder) were checked to records held in LCT however only 2 could be identified and although both were supported by an authorised request for finance only 1 had been updated on the client monitoring record. For the other 6 transactions insufficient information had been declared on the purchase description to identify a client or to support the purchase. These transactions were left with the LCT to resolve and process.
- 3.16 The Group Manager agreed that the procedures around purchase cards should be improved, specifically the need for expenditure to be authorised prior to procurement, supporting documentation and validation to be processed in a timely manner to allow the transactions to be posted and expenditure shown against the cost codes rather than the holding account. The Group Manager has requested that the LCT Finance and Monitoring Officer be set up as an

administrator on MyVision (purchase card system) to monitor usage and ensure compliance. In response to the audit findings and follow up testing, the LCT will be discussing the use of purchase cards at a training session on the 25th February. Given the findings of the audit testing the recommendation relating to purchase cards will remain partially implemented, although it is acknowledged that management are taking action to resolve the issues.

3.17 Transition Team

3.18 A priority one recommendation was made in respect of overpayments and underpayments on a sample of direct payment cases that were reported to this Committee. The cases identified in the audit report were followed up but action including decisions to recover or refund or write off had not been made.

3.19 Domiciliary Care

3.20 An audit of this area resulted in two priority one recommendations relating to service agreements closed on incorrect dates and also non closure. Sample testing showed that at the time of the audit, out of the sample of 44 cases selected for review, issues arose in 14 cases in relation to the dates of service and in one case non-closure. The second recommendation related to Extra Care Housing where in three cases the actual hours delivered was not reconciled to planned hours. A second follow up of these two recommendations has shown that:

3.21 Testing was undertaken to confirm that service agreements were closed on the correct date. It was found that from sample testing that in five cases tested, closure of services for deceased clients had been undertaken on differing dates and in one case, services remained open. This recommendation is therefore considered to be outstanding.

3.22 Planned hours were compared to actual hours recorded for each service user sampled within given weeks. This was then reconciled to the timesheet hours for each ECH Unit and any variances in hours noted. Queries arose with 5 samples that could not be answered at the time of the audit, when queried by the Auditor. This recommendation is therefore considered to be outstanding.

3.23 Rent Arrears –Emergency Accommodation

3.24 In 2011-12 when this recommendation was first made the total amount of rent arrears was £1.3 million and at the time there were 326 clients in temporary accommodation. By February 2015 890 number of people being housed in TA. We had previously reported that the arrears figure was £3.57 million at December 2014 and that the increase was partly a result of write offs not being actioned, a reconciliation to close accounts for Orchard and Shipman clients not having taken place (which is expanded upon in Part 2 of this agenda) and the increased number of clients being placed in TA. Action has been taken to rectify these findings however as at October 2015, the rent arrears had increased to £3.58 million, with 953 clients in temporary accommodation. Write offs were actioned and the reconciliation with Orchard and Shipman is underway (as identified in the Audit of Orchard and Shipman) that could further reduce the arrears figure. There remains a high level of uncollected rent and therefore this recommendation remains outstanding.

3.25 At March 2016 the total number of people in TA is now 1074 and the level of rent arrears is £3.87 million. Reconciliations have begun with Orchard and Shipman, though have not been completed. This is expected to be completed by financial year end. This is covered in part 2 of this agenda.

3.26 Creditors

- 3.27 The original Internal Audit report identified that there was a significant number of orders that were raised retrospectively. A 'retrospective purchase order' report was run in May 2013 that showed that after adjustments there were 3,290 orders that had been made in the period 30/01/13 to 30/05/13, with two thirds of these attributed to 30 officers. Raising orders is crucial to committing expenditure for accounting purposes as well as verifying goods received to what was ordered. Two previous follow ups covering periods up to the end of September 2015, showed that there was still a problem given the number of retrospective orders raised. In particular Housing accounted for 43% of the total which it is envisaged may improve when the new housing system is implemented.
- 3.28 The latest follow up covering the three month period October 2015 to December 2015 shows 2,155 retrospective orders being raised and is an increase from the previous quarter to September 2015 when 1,818 were raised retrospectively. 44% of the orders related to Housing. The new housing system will not be operational for some time but we have agreed Housing's proposal to streamline payment procedures that may reduce retrospective orders in this area.

3.29 New priority one recommendation-Extra Care Housing

- 3.30 A review of the planned and actual care hours and the respective charges were made across 5 separate weeks from the records held at Norton Court. The client contribution rates were confirmed and the monthly statements for each client from May 2015 to September 2015 inclusive were reviewed. Errors were identified on weekly care charges. There were increases and decreases in hours that were found not to have been adjusted accordingly.
- 3.31 One of the clients had a credit balance of £1,334.94 as at 7/10/15. The auditor queried the account for Sample 8. The account and the financial assessment stated that the client was full cost, but no charges could be seen on recent domiciliary care statements. This client is deemed to be critical on her statement of needs in respect of needing help with managing her finances and is a current Appointeeship client, therefore, the Authority manages her finances on her behalf, in the absence of any relatives. No financial assessment could be found on Carefirst to evidence that the client is now a nil payer at the time of testing. The Financial Assessment team confirmed that the assessments will be recalculated using the revised figures as soon as possible. Management have also confirmed that each March there is an annual review and clients are informed of their new charge. A breakdown of the charges is provided and they are advised to inform LBB if there has been any change to their financial circumstances.
- 3.32 The service level agreement requires all clients to have a completed and verified financial assessment form at least every 2 years. These reviews are carried out on a monthly basis and the completed financial assessments forms are processed on completion.

3.33 Audit Activity

- 3.34 Members of this Committee will be updated in April 2016 on our progress against the 2015/16 internal audit plan, completion of work brought forward from the 2014/15 plan and investigations. The period covered by the update will be April 2015 to March 2016. There has been some slippage in the 2015/16 internal audit plan due to priority one findings arising from our investigations and audits that appear in part 2 of this agenda. The returned audit satisfaction questionnaire indicates a score of 4.5 out of 5 on finalised audit reports which is good. In addition to audit planned work we also carried out the following:

- Fraud and investigations.
- Updated the Financial Regulations and the Fraud and Corruption Strategy approved by this Committee at the last cycle.

- Advice and support on Financial Regulations, variations to change in system controls.
- Ongoing liaison role in assisting management inquiries.
- Monitoring role of the Greenwich Fraud partnership.
- Developing an e-learning training package in respect of audit controls and risk management.
- Liaison work with our external auditors in preparation of their audit of the 2014/15 accounts.
- Updating the risk register to promote consistency.
- Involvement in proactive exercises.
- Committee work.
- Internal Liaison with the Commissioning Board; Directors Group; Directorate Management Teams, Corporate Management Team in respect of constructing the 2016/17 Internal Audit Plan.
- External liaison with the various London Audit Groups- Fraud, Procurement, IT and Head of Audit. Also the London Boroughs Fraud Investigation Group our External Auditors.

3.35 **Publication of Internal Audit Reports**

3.36 At the last meeting of this Committee we reported our sixth batch of Internal Audit reports finalised since March 2014 that was published on the web. In total 96 reports were publicised on the web. No exemptions are being sought for this cycle.

3.37 Since the last cycle of this Committee we have published a further 17 redacted final reports making a total of 113 since publications first started.

- Blenheim Primary School
- Chelsfield Primary School
- Review of Extra Care Housing (Norton Court)
- Edgebury Primary School
- Marjorie McClure School
- Car Parking Income (Multi Storey and On Street)
- Section 106 Agreements
- Council Tax
- Southborough Primary School-Follow up
- Review of NNDR
- Bickley Primary School
- Review of Debtors

- Clare House- Follow up
- Poverest Primary School
- Troubled Families
- Youth Offending Service
- Red Hill Primary School Follow up

3.38 **Waivers**

- 3.39 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 2015 to February 2016.
- 3.40 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 December 2015 and covered waivers sought up to September 2015. 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.
- 3.41 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 to Audit Sub Committee;
- **£1m and Above** The Chief Officer in Agreement with the Director of Corporate Services and the Director of Finance together with the Approval of the Executive or Council as appropriate.

3.42 **Value for Money Arrangements**

- 3.43 We had previously reported that we still had to complete one rolled over review of VfM arrangements for the Youth Offending Service. This is now reported on below.
- 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 2 out of 4 is reported, which is partially met.
- 3.45 This equates to VfM arrangements being partially met where there are some aspects of vfm in place but these are not robust enough to reach an informed decision that the service is achieving vfm. (e.g. data submitted for benchmarking is not accurate enough or cannot be substantiated or customer satisfaction surveys have not taken place, although there may be a

benchmarking exercise that was completed; or that the service is operating at high unit costs in comparison with other Boroughs' costs although providing a satisfactory service).

- Benchmarking of data reports has been carried out against another London Borough (Section 1d of Youth Offending Service Improvement Plan refers), but there is no evidence of financial or other benchmarking against other authorities carried out. . We have discussed this with the Head of Service and he is proposing to consult with the Youth Justice Board and YOT Heads of Service at other similar sized Boroughs in the near future to identify what financial or other benchmarking information can be obtained and analysed.
- HM Inspectorate of Probation undertook an inspection of the service in February 2015 where the service was compared against how other Youth Offending Services perform. Following this the service has implemented the Youth Offending Service Improvement Plan which is being regularly scrutinised by the Youth Justice Board (YJB) in readiness for HM Inspectorate of Probation re inspection.
- The service has seconded a YJB employee to assist in delivering the YOS Improvement.
- Feedback from service users is collated via the Children's Social Care Service User feedback forms. These are analysed by Strategic and Business Support every quarter. The service has received good feedback so far. In addition to this young people are requested to complete HMIP questionnaires. The service has exceeded the number of questionnaires which HMIP had requested to be completed by LB of Bromley young people by the deadline date of February 2016. Feedback on this should be available later in the year.
- The service is aware that there has been an overspend in the last financial year. The service has been given permission to continue with the overspend by the Chief Executive and Councillors whilst improvements are being put into place. The staff structure and budget will be revisited again in 2017/18. Current staff consultation outlines proposals to reduce the budget.

3.46 Housing Benefit Update

3.47 As reported at the last cycle of this Committee we are no longer submitting the appendices on benefit fraud statistics as this service transferred over to the DWP on the 1st July 2015 and all the outstanding sanctions work including prosecutions is now completed.

3.48 Since the commencement of the partnership in April 2002, through to February 2016, the Council has successfully has prosecuted 429 claimants for benefit fraud; given 104 formal cautions; and administered 431 penalties giving a total of 964 sanctions.

3.49 **Housing Benefit Fraud Cases Referred to the DWP-** at the last meeting of this Committee we reported on the spreadsheet of 118 referred cases to the DWP maintained by RB Greenwich. Since then an additional 75 cases were referred making a total of 193 cases since the transfer. We have been informed that the latest status of the 118 cases that we reported on at the last meeting of this Committee is as follows:

- 39 current investigations
- 33 still with their RER team (risk analysis team)
- 6 no action
- 7 no trace
- 12 awaiting management instructions
- 4 being dealt with by Compliance
- 17 waiting to be allocated to an investigator

3.50 We are still awaiting feedback on the additional 75 cases. There is a new manger appointed to head up the SFIS team covering Bromley and following discussion with RB Greenwich it is hoped that this information flow from the DWP will improve with cases reported under three headings:

- No. accepted for investigation
- No. not accepted for Investigation
- No. referred to Compliance

3.51 **Other Matters-**

3.52 Local audit contract for local authorities; Public Sector Internal Audit Standards; Internal Audit budget savings- these are expanded on below.

3.53 **Local audit contracts for local authorities-** There are no new developments to what was reported at the last cycle. There is currently a requirement that from the financial year 2018/19 the appointment process under the Local Audit and Accountability Act 2014 will be operational. Under the legislation appointments must be in place before the start of the financial year to which they relate – so in practice the procurement must be completed by December 2017.

3.54 **Public Sector Internal Audit Standards**

3.55 The Public Sector Internal Audit Standards (PSIAS) which came in to effect in April 2013 requires an external assessment of the service every 5 years. Rather than employ a firm of accountants/auditors, the Society of London Treasurers felt that it would be more cost effective and useful if there was a London wide forum to undertake this task. Consequently we have joined a London wide external assessment group to undertake this assessment and at the time of writing this report we are due to be assessed by the Head of Audit, Haringey in mid-March 2016. We are preparing the necessary information the assessment. The outcome of the assessment will be reported to this Committee.

3.56 **Internal Audit Budget Savings**

3.57 Members should note that need to save £80k form the Internal Audit budget will achieved by proposals to delete the 0.5 fte vacancy, the 0.5 fte risk management post and the £40k for buying in services currently from the London Borough of Wandsworth. This will impact on the 2016/17 Internal Audit Plan as indicated elsewhere on this agenda.

3.58 **Training**

3.59 **Audit Controls- online interactive training-** we have now developed an online interactive training package for officers to promote findings and resultant control weaknesses identified from Internal Audit reports. The training is aimed primarily at managers and officers who have finance related functions and is expected to be about 30 minutes in duration including a question and answer session. We are currently testing the package and the launch is imminent.

3.60 **Risk Management-**

3.61 Members of this Committee were updated on the outcome of the exercise that Zurich had completed on reviewing risk arrangements across the authority. The new risk matrix that was proposed utilises four levels of risk; high, significant, medium and low in contrast to high, medium and low previously. In using the new guidelines for impact and likelihood and plotting these on the revised risk matrix the number of high risks has dropped from 21 to 3 but this was under review. The Committee were also informed that LBB's main corporate risks were being updated. There was a debate on the number of high and significant risks and the criteria behind this. There were also queries on the new control matrix in terms of impact and likelihood. The

Head of Audit pointed out that the submissions on risk classification had not been fully completed and details appearing in the report could change after management/DMT scrutiny of their risks. It was agreed that the complete details of high and significant risks be submitted to the next meeting of this Committee together with the revised corporate risks.

- 3.62 The final part of the exercise working with Zurich and Learning and Development is to produce a new e-learning online tutorial for risk management. The aim is to provide a 30 minute interactive package that officers can access and complete as a replacement to running risk management courses. The story boards have been agreed and Learning Nexus are currently building the course. The implementation of this training package has slipped but we are expecting to launch it in July 2016.
- 3.63 Each Department has completed their review of risks using the new risk matrix and impact and likelihood guidelines. Although the number of high boxes has only dropped from 8 to 6, a large number of previous high risks now fall in the significant category (21 high risks now 1 high and 12 significant). This is mainly because a number of major impact risks which were viewed as possible (annual likelihood) or unlikely (3 yearly likelihood) are now categorised as significant or medium risks. The new financial impact guidelines will also affect how some risks are now scored e.g. major impact now between £1m and £5m, previously £500k to £5m. Full details of the high and significant, including controls, actions and financial implications, are attached as Appendix C. Going forward we will monitor all the high and significant net risks and focus on the reporting and managing of risk exceptions.
- 3.64 We have also taken the opportunity to review how we present the corporate risks (previously these were our 'top 10' generic risks). Following discussions at Corporate Risk Management Group we have agreed to present these in a different format and focus on the key risks and issues that could stop us achieving our BBB objectives. We have agreed the following 7 headings which we felt were the major corporate challenges that the Council needs to address going forward as we become a smaller organisation:
- Financial
 - Commissioning
 - Health and Social Care Integration
 - Organisational Change
 - Contract Management
 - Information Communication Technology
 - Business Continuity and Emergency Planning
- 3.65 To an extent this is a top down rather than bottom up perspective (which is the role of the risk register). The revised corporate risks are attached as Appendix D. These will be subject to regular review by Directors/CMT and changes reported back to this Committee.
- 3.66 Annual Governance Statement**
- 3.67 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 Regulation 6 of the Accounts and Audit Regulations 2015. This requires a relevant authority each financial year to 'conduct a review of the effectiveness of the system of internal control' and to 'approve an annual governance statement'. We also operate to the requirements of the Public Sector Internal Audit Standards.
- 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 and will be issuing new guidance in April which will come into effect for the financial year 2016/17.

3.70 As risk management features strongly in the AGS process, this year’s review will again 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.

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 2015.

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/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	See comments in progress report.	High
ECH/018/01/2013	Review of Leaving Care (Payment to Clients)	Nil Assurance	1 o/s - partial	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	8 P1 recommendations implemented; 1 P1 is partially o/s. See Part 1 - progress report.	High
ECS/2014	Fixed Penalty Notices	N/A	1 o/s partial	See part 2 - 4 have been implemented relating to attempted recovery from the contractor; reconciliation of FPN's; procedure; and availability of prime documents. 1 not implemented relating to the transfer to the PCN system and 1 partial O/S relating to contractual arrangements.	In Progress	Asst Dir. S,S & Greenspace	Outstanding P1 relates to the contractual arrangements with the provider. See Part 2	High

Report Number/Date	Title	Opinion	No. of Priority One's	Details of original Recommendation	Implemented	Responsible Officer	Comments	Risk of fraud or loss
ECH/035/01/2014	Transition Team	Follow Up	1	Direct payment service agreements were found to either be in overpayment due to the incorrect amount being being or the incorrect time perios 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	Group Manager, CLDT.	Follow up indicated that it is o/s. See part 1 progress report.	High
ECH/007/01/2014	Domicilliary Care	Follow Up	2	Services closed with incorrect dates or not actioned in a timely manner. Extra Care Housing -no reconciliation of actual hours provided to clients across thre units.	In progress	Head of Assessment &Care Management &Strategic Commissioner Client Resources.Group Manager,Care Manager	Follow up indicated that both are o/s. See part 1 progress report	High
ECH/031/01/2015	Temporary Accommodation	limited	2o/s	Part 2	In progress	Asst Dir. Housing Needs	Part 2	
CEX/012/01/2015	Stray Dogs Contract	N/A	5o/s & 1partial	Part 2	In progress	Head of Environmental Protection	Part 2	High
ENV/003/01/2015	Waste Services Audit	limited	2	Part 2	In progress	Head of Waste services and Contracts Manager (Waste & Refuse service)	Part 2	High
ECH/018/01/2015	Extra Care Housing Audit	limited	1	Domiciliary care statements should reflect and detail the actual care delivered within respective weeks.Care charges should reflect the actual care received on a weekly basis. Any increases or reductions in care should be reflected within the charges levied Adjustments to the individual care accounts should be rectified without delay. The process for charging for care hours should be reviewed.It should be investigated how the credit balance arose in this Appointeeship case. Financial Assessments should be undertakenregularly. Confirmation should be provided to Internal Audit that there are no other similar cases that have fallen outside of the process. All financial assessments should be readily available and contribution levels evidenced.	In Progress	Exchequer Manager		High
The following priority one recommendations have been implemented: None see comments column above								
Looked After Children- 2 priority 1 recommendations implemented-see progress report								
Family Placents - all 9 priority ones fully implemented -see committee report								
Fixed Penalty Notices 1 partially implemented -Part 2								
Leaving Care (Payment to Clients)- 8 implemented 1 partially outstanding;								
CCTV - 1 priority 1 recommendation and it has been implemented-Part 2								
Astley Day Centre financial health check - 2 implemented and 1 (asset register annual check) arranged to carried out at end of March Part2.								
DFG 1 implemented -Part 2 report								

Waivers - From October 2015 to January 2016

APPENDIX B

Waivers > £50,000

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	Commissioning	£166,067	£31,900	2	£102,067	Building Mangement - Lewis House waiver to allow continued remote access by O/T's	01/01/16	31/12/2017	Assistant Director Commissioning, Director of Corporate Services, Director of Finance and Portfolio Holder
Education, Care and Health Services	Behaviour Services	£499,000	£499,000			Top up funding for Burwood special school places.	01/02/16	30/08/2016	Director of Education, Assistant Director Commissioning, Director of Corporate Services, Director of Finance and Portfolio Holder
Education, Care and Health Services	Workforce Development	£396,122	£70,000	1	£116,122	Spot purchase contract for adults and childrens social care staff from relevant universities	01/04/16	31/03/20	Director of Children's Social Care,Assistant Director Commissioning, Director of Corporate Services, Director of Finance and Portfolio Holder
Education, Care and Health Services	Strategic and Business Support	£390,125	£118,463	2	£271,662	Annual support and maintenance of Capita One database	01/04/16	31/03/17	Director of Education, Assistant Director Commissioning, Assistant Director, Strategic and Business Support,Director of Corporate Services, Director of Finance and Portfolio Holder
Environment and Community Services	Community Safety	£57,500	£30,000			Contract for the perpetrator programme to domestic violence intervention project (delayed start from 01/04/15 to 01/05/15)	01/05/15	31/03/17	Assistant Director, Environmental Services, Executive Director Environmental Services, Director of Corporate Services, Director of Finance
Environment and Community Services	Libraries	£119,907	£17,499			Contract for the procurement of eBooks and eAudio	12/05/15	11/05/16	Assistant Director, Environment and Community Services, Executive Director Environment and Community
Environment and Community Services	Neighbourhood Management	£95,331	one off cost for development £47,000+ £3,850 16/17 hosting charge + 2 years @ £8,850 pa			To provide a spatial platform for frontline officers to monitor street environment contracts using a hosted mobile GIS solution	01/04/16	31/03/19	Assistant Director, Environmental Services, Executive Director Environmental Services, Director of Corporate Services, Director of Finance
Environment and Community Services	Libraries	£99,925	£11,000			Contract for the procurment of large print books and audio books	01/04/15	31/03/17	Assistant Director, Environment and Community Services, Executive Director Environment and Community, Director of Corporate Services and Director of Finance

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	Libraries	£58,134	£8,219			Online service to give access to a wide range of Oxford University Press reference materials	01/04/15	31/03/17	Assistant Director, Environment and Community Services, Executive Director Environment and Community, Director of Corporate Services and Director of Finance
Environment and Community Services	Libraries	£57,000	£18,000			Contract to procure magazine and newspaper subscriptions online	01/04/15	31/03/17	Assistant Director, Environment and Community Services, Executive Director Environment and Community, Director of Corporate Services and Director of Finance
Chief Executives	Exchequer Services	£196,000	£91K one off cost then £21K p.a.			Implementation of a corporate debt recovery and single view system	TBC	31/03/22	Director of Regeneration and Transformation, Director of Corporate Services, Director of Finance, Portfolio Holder
Environment and Community Services	Environmental Protection	£113,830	£12,600			The purchase of CCTV camera and associated equipment	01/04/15	31/03/17	Assistant Director ECS, Executive Director ECS, Director of Corporate Services, Director of Finance
Education, Care and Health Services	CareLink Community Alarm Service	£177,300	£39,000	1	£29,300	Contract for the telephone calls handling service	01/11/15	31/10/16	Assistant Director Commissioning, Director of Corporate Services, Director of Finance, Portfolio Holder
Education, Care and Health Services	Commissioning	£100,013 (assuming maximum for 2009-11)	£23,374	1	£6,698	Contract for deaf blind communicator service	01/01/16	30/09/16	Assistant Directors Commissioning and Adult Social Care, Director of Corporate Services, Director of Finance
Education, Care and Health Services	Specialist Support and Disability Services	£90,000	£5,000			Supply of IT equipment for specialist support and disability services	01/01/16	01/12/16	Director of Education, Assistant Director Commissioning, Director of Corporate Services, Director of Finance
Education, Care and Health Services	Specialist Support and Disability Services	£67,150	£17,009			Contract for IT network support for the specialist support and disability services	01/01/16	31/12/16	Director of Education, Assistant Director Commissioning, Director of Corporate Services, Director of Finance
Education, Care and Health Services	Public Health	£78,000	£26,654			Contract for the provision of sexual health - community pharmacy services	01/04/16	31/03/17	Assistant Director Commissioning, Director of Public Health, Director of Corporate Services, Director of Finance

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Gross Impact	Gross Likelihood	Gross Risk rating	Gross Risk Score	Existing Controls and Proposed Actions	Net Impact	Net Likelihood	Net Risk rating	Net Risk Score	Financial Implications PLEASE COMPLETE FOR ALL NET HIGH AND SIGNIFICANT RISKS AND ALL NET MEDIUM FINANCIAL RISKS
CEX/ICT.0014	Chief Executive's	Corporate Services	All ICT Sections	Disaster Recovery Inadequate disaster recovery arrangements leading to dislocation of Council services Data and Information - Operational	Stuart Elsey	5	2	Significant	10	Controls: 1. Stand-by arrangements available so that in the event of failure highest priority services can be recovered Actions: - Working with BT to review and implement disaster recovery arrangements as part of new IT contract. - Effective application of malware protection and security measures through the Facilities Management (FM) contract with BT - Technical design takes into account the criticality of systems and ensures, where justified, that additional resilience is built in - Virtualisation project will help facilitate disaster recovery provision with the option of using the cloud to provide quick capacity - New Storage Area Network (SAN) gives additional replication facilities to work with suitable partners reducing the time to switch over to a DR site	5	2	Significant	10	Financial implications depend on outage duration and Business Continuity plans.
CEX/ICT.0418	Chief Executive's	Corporate Services	All ICT Sections	IT System Failure (total loss) Complete failure of IT systems resulting in widespread disruption across the Council Data and Information - Operational	Stuart Elsey	5	3	High	15	Controls: 1. Effective incident management / support and resilient systems in use so that single points of failure are minimised 2. Technical design that takes into account the criticality of systems and ensures, where justified, that additional resilience is built in 3. Ensure proactive monitoring tools are in place to highlight potential issues before there is a major incident 4. Backup power arrangements in the event of power issues (most likely) Actions: - Ongoing monitoring	4	3	Significant	12	Financial implications depend on outage duration and Business Continuity plans. - N.B the net likelihood should not be yearly, however given the seriousness of a complete failure it was felt that the risk should be elevated.
CEX/ACT.0300	Chief Executive's	Finance	Accountants	Treasury Management Failure to manage and control Treasury Management activities with the result that we do not maximise our interest earnings on balances: Liquidity, Interest rate, Exchange rate, Inflation, Credit and counterparty, Refinancing, legal and regulatory risks Financial - Operational	Martin Reeves	5	3	High	15	Controls: 1. Regular strategy meetings 2. Use of external advisors 3. Internal Audit review of activities 4. Reporting to Members 5. Adoption of CIPFA Treasury Management Code of Practice Actions: - Periodic reviews of approach in light of economic environment - Regular meetings between officers (Director of Finance and Principal Accountant) to review strategy and ensure 'best value' for Council investments - Quarterly investment performance reports to E&R PDS Committee - Regular meetings / discussions with external auditors	4	3	Significant	12	£291m currently invested with banks and other financial institutions (Mar 2016). Limits placed on total sums invested with individual counterparties, both monetary and time. Officer strategy meetings agree action on maturing deposits., taking account of current interest rates, counterparty availability, the future maturity profile and other market factors. In accordance with the CIPFA Code, the Council takes all recommended steps to minimise risk, with security and liquidity the main priorities before yield. Assuming a prudent rate of 1% for new investments, we budgeted for net interest earnings of £2.7m in 2015/16 which could be considered the value 'at risk'. In practice, however, it is estimated that increased average balances and additional interest earnings from longer term investments placed in 2015, primarily with other local authorities and the part-nationalised banks Lloyds and RBS, and higher rates obtained from "alternative" investments (pooled property fund and diversified growth funds) will result in a surplus of £1m in 2015/16. The 2016/17 budget is £3.5m, an increase of £1.25m to reflect the higher interest earnings during 2015/16 partly offset by a reduction of £0.5m to reflect foregone interest as a result of further investment property acquisitions.

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Gross Impact	Gross Likelihood	Gross Risk rating	Gross Risk Score	Existing Controls and Proposed Actions	Net Impact	Net Likelihood	Net Risk rating	Net Risk Score	Financial Implications PLEASE COMPLETE FOR ALL NET HIGH AND SIGNIFICANT RISKS AND ALL NET MEDIUM FINANCIAL RISKS
CEX/ACT.0298	Chief Executive's	Finance	Accountants	Banking Failure Banking failure with the result that our investments are at risk and subject to a prolonged recovery process Financial - Operational	Martin Reeves	5	4	High	20	Controls: 1. Annual investment strategy 2. Review of counterparty list 3. Monitoring via Sector (external advisors) 4. CIPFA Treasury Management Code of Practice 5. Internal audit review of strategy and counterparty eligibility criteria Actions: - Quarterly reports to Executive - Quarterly reports to E&R PDS and Portfolio Holder - Detailed review of approach - Intensified monitoring of position - Adoption of Code of Practice - Approval of annual strategy by Full Council (February)	4	3	Significant	12	Bromley had £5m invested with the Heritable Bank at the time of the Icelandic banking collapse in 2008. To date (Oct 2015), some £4.9m has been recovered with a full recovery expected. Our investment criteria have been tightened significantly since then, but there remains uncertainty in the financial markets and banking sector and we therefore remain at risk that one or more of our investment counterparties may suffer severe liquidity problems. Currently we have £291m placed on deposit with various financial institutions up to limits set down in our annual investment strategy (e.g. we have set limits of £80m to both Lloyds and RBS up to 3 years whilst they remain part nationalised and meet the minimum rating criteria). Although it is difficult to predict, another financial meltdown could, on a worse case basis, result in another Heritable Bank scenario. By definition, any investment is risky to a degree, but the controls in place seek to minimise / manage these risks as much as possible to protect the principal sums. It is difficult to predict a sum that may be 'at risk', but, the range of investments with any one institution is currently from £3m to £80m (the maximum permitted) as at March 2016.
CEX/ACT.0305	Chief Executive's	Finance	Accountants	Capital Income Capital income shortfall due to a reduction in capital receipts and delays in disposals as a result of the economic environment Economic - Strategic	Martin Reeves	5	3	High	15	Controls: 1. Close monitoring of spend and income 2. Reporting to Members 3. Tight control of spending commitments Actions: - Quarterly reports on capital receipts (actual and forecast) to Executive	4	3	Significant	12	The February 2016 capital programme includes estimated disposal receipts of £3.8m in 2015/16, £13.4m in 2016/17, £5m in 2017/18 and £1m per annum in later years. The financing model assumes all planned receipts are achieved and reflects prudent assumptions on the level of capital receipts. Actual receipts from asset disposals totalled some £7.1m in 2014/15, compared to a forecast of £9.2m (3rd quarter).
CEX/FIN.0282	Chief Executive's	Finance	All Finance Sections	Budget Failure to produce and deliver a balanced budget which meets priorities. Greater financial uncertainty to reflect impact of public finances and austerity measures, whilst new burdens and key service pressures due to demographic and other factors remain. Economic - Strategic	Director of Finance	4	3	Significant	12	Controls: 1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports 2. Departmental risk analysis Actions: - Reporting of financial forecast updates in year to provide an update of financial impact and action required - Obtain monthly trend / current data to assist in any early action required - Obtain regular updates / market intelligence	4	3	Significant	12	The Council has a budget gap of over £50m per annum by 2019/20. The Local Government Finance Act 1992 highlights councillors having a legal duty to set balanced annual budgets and ensure they are robust and have adequate reserves. It is essential that action is taken as soon as possible to address the budget gap and mitigate against the risk of statutory duties not being fully met. Continuation of austerity measures resulting in reductions in government funding until 2019/20 will significantly increase the risk at the latter part of the financial forecast period.
CEX/FIN.0095	Chief Executive's	Finance	All Finance Sections	Government Funding Government funding shortfall which would have to be made up by budget cuts Economic - Strategic	Director of Finance	5	4	High	20	Controls: 1. Modelling of proposals from the various Government departments 2. Lobbying on proposals and Society of London Treasurers (SLT) 3. Working with London Councils on lobbying 4. Working with outer London boroughs on lobbying and opportunities from joint working Actions: - Model implications of various changes and adapt financial strategy to address implications	3	4	Significant	12	As austerity continues until at least 2019/20 it is essential to identify as accurately as possible the scale of funding reductions to ensure that action can be taken in sufficient time to have a balanced budget as part of the Council's statutory requirements. The one year funding allocations by Central Government makes forecasting more problematic.

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ECS/ALL.0133	Education, Care and Health Services	All ECHS Divisions	All ECHS Sections	Industrial Action Sustained industrial action affecting key service areas - disruption to normal business Personnel - Operational	ECHS DMT	2	5	Significant	10	Controls: 1. Keeping staff fully informed of developments 2. Regular communication of key messages from both corporately and ECHS DMT 3. ECHS DMT to ensure that Divisional Business Continuity Plans are regularly reviewed and refreshed to reflect the changing organisation; 4. Teams need to be aware of their role within the Divisional Business Continuity Plan Actions: -Emails to all staff prior to all impending industrial action, informing of any possible service disruption as well as explaining implications of strike for individual staff members. -ECHS DMT reviewed Risk register 09/02/2016.	2	5	Significant	10	Modelling based on figures from the latest approved budget (15/16) budget indicates that in the case of strike action, daily costs of £100 per Officer would be incurred to cover posts. This would be offset against various savings made through pay deducted from Officers who do strike.
ECS/ALL.0245(ii)	Education, Care and Health Services	All ECHS Divisions	All ECHS Sections	Council Budget Savings Adult Social Care Meeting Corporate directive on in year savings. Impact of not achieving savings in agreed areas means that additional savings are required within ECHS budgets. National Living Wage Impact on budget for the Council (Care providers and Carers). Department of Health The DoH has set out options to achieve the planned £200m in year reduction in public health spending, with an across the board 6.2% cut for all authorities emerging as its preferred proposal."	ECHS DMT	4	4	High	16	Controls: 1. Existing financial risk management strategies. 2. Medium Term Financial Strategy. 3. Monitor and review achievement of savings and their effect. Actions: - Achievement of savings requires changes in planned service activity and staff re-organisation. - Invoke established HR procedures for managing change in the workforce (redundancies and redeployment). - Undertake a structured review of placements and support packages. - Renegotiation of continuing health care packages with health partners to agree a more structured approach across both children and adults Financial Implications: - Savings are embedded in the budget. Risks reviewed monthly by managers/finance to monitor the potential financial impact. - Generally the cuts in LA funding will have an impact as ECHS will have to find additional savings in future years like all other departments. There is a risk around whether we can provide our statutory duties and whether there is the critical mass to provide services to the schools that remain maintained. Council is lobbying Govt on these issues.	4	3	Significant	12	As reported in March 2016, a projected underspend of £3.6m is forecast on the Care Services controllable budget. The projected full year effect for 2016/17 is £2,952k overspend. The 2015/16 projections are as follows: Adult Social Care Overall the position for Adult Social Care is a predicted £745k underspend. There are overspends in Domiciliary Care/Direct Payments and Extra Care housing (due to voids and the impact of the work on the closure of Lubbock House) offset by underspends in placements costs and Transport. There is a significant in year underspend of £1.115m predicted in commissioning. This is in the main down to placement projections in Learning Disabilities and Mental Health being lower than expected. This is partially offset by staffing pressures. These budgets are volatile and assumptions have been made relating to uncertainties such as transition clients, attrition and health funding, which may have an impact as the year progresses. The DoH has set out options to achieve the planned £200m in year reduction in public health spending, with an across the board 6.2% cut for all authorities emerging as its preferred proposal. The following year will see continuing pressure to find the required savings to meet targets.

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ECS/SSC.0178	Education, Care and Health Services	Children's and Adult Social Care	Children's and Adult Social Care	<p>Recruitment and Retention of Social Care Staff</p> <p>Impact of failure to recruit and retain suitably qualified and experienced Children's Social Work staff (national problem which particularly affects London and the South East), Occupational Therapists and Adult Social Care posts:</p> <ul style="list-style-type: none"> - Budget instability arising from costly agency placements (children) long term residential placements (adults); - Fall in performance against PIs (both children and adults); - Inability to deliver improved outcomes for children and adults, meet statutory duties, safely manage risk to children; - Lack of timeliness in responding to assessment requests leading to a delay in key preventative services being delivered; - Possibility of poor inspection outcomes; - CSI Improvement Plan targets may not be achieved. <p>Personnel - Operational</p>	AD Children's Social Care AD Adult Care Services	3	5	High	15	<p>Controls:</p> <ol style="list-style-type: none"> 1. Regular six weekly monitoring of staffing positions with HR. 2. Adherence to recruitment and retention strategies. 3. Strict monitoring of supervision/appraisal/performance data. 4. Refresh of the Recruitment and Retention Strategy for 2015/16 and 2016/17 (PDS Report CS 14078 21st January 2015) <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - In Feb 2010 Executive approved £817k 'Invest to Save' money over 4 yrs for a Recruitment & Retention scheme for Children's Social Work staff. Funding for this scheme expired in March 2014 and review has concluded it will be necessary to continue with the package to remain competitive. Package continued for 2014/15 and 2016/17 financial years <p>Outcomes:</p> <ul style="list-style-type: none"> > Achieve a 10% vacancy rate; > Reduction in the use of locums, for Adult Social Care, whilst maintaining balance with permanent staffing levels in view of market testing and potential for reduction in permanent staff. > Strengthen supervision (quality and capacity) > Manageable caseloads and succession planning; - Capacity of:- Children's Social Care Services to address increased workloads strengthened. Legal Services to address statutory functions in relation to Child Care Proceedings strengthened. - Targeted social work students placements, market supplement i.e. a R&R strategy for social care staff 	3	4	Significant	12	<p>The current Bromley maximum qualified social worker salary (incorporating additional supplementary/retention payments) is £37,344. Based on the maximum hourly rate paid by Bromley of £30.00 per hour, the annual locum rate equates to £56,310.</p> <p>For Senior Practitioners, the current maximum salary (incorporating additional supplementary/retention payments) is £42,269. Based on the maximum hourly rate paid by Bromley of £32.00 per hour, the annual locum rate equates to £60,064.</p> <p>The proposal that the current scheme be extended for the 2015/16 and 2016/17 financial years by utilising the residual funding from the LAA reward grant from the agreed recruitment and retention package for 2010/14 was agreed by PDS 21/1/2015.</p>
ECS/HSN.0371	Education, Care and Health Services	Housing Needs	Housing Needs	<p>Bed & Breakfast</p> <p>Housing client pressures and the effects of bed and breakfast accommodation. Rising use and cost of B&B.</p> <p>Social - Strategic (sub: Operational - Financial)</p>	Sara Bowrey	3	5	High	15	<p>Controls:</p> <ol style="list-style-type: none"> 1. Continue to focus on preventing homelessness and diversion to alternative housing options through: <ul style="list-style-type: none"> -Landlord and tenancy advice and relations -Tenancy support and sustainment - resilience training -Access to employment and training -Debt, money, budgeting and welfare benefits advice, including assistance to resolve rent and mortgage arrears -Sanctuary scheme for the protection of victims of domestic violence -Assistance (including financial aid) to access the private rented sector <p>-----</p> <p>Actions:</p> <ul style="list-style-type: none"> - Seeking new and alternative forms of temporary accommodation and supply 	3	5	High	15	<p>Pressures in Temporary Accommodation (TA) (Bed and Breakfast) in 2015/16 are forecast to be £649k overspent as at February 2016. However there is funding available in the central contingency to a maximum of £1.1m and it is assumed that this will be drawn down to reduce the overspend to a net zero.</p> <p>Although numbers are continuing to rise with an average of 15 per month expected during the remainder of the financial year, this is assumed within the financial projections. Officers are currently modelling different scenarios to quantify the effect of possible initiatives to limit the growth.</p>

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Gross Impact	Gross Likelihood	Gross Risk rating	Gross Risk Score	Existing Controls and Proposed Actions	Net Impact	Net Likelihood	Net Risk rating	Net Risk Score	Financial Implications PLEASE COMPLETE FOR ALL NET HIGH AND SIGNIFICANT RISKS AND ALL NET MEDIUM FINANCIAL RISKS
ECS/HSN.0370	Education, Care and Health Services	Housing Needs	Housing Needs	<p>Capital Grant</p> <p>Lack of availability of external Capital Grant to deliver key housing schemes for range of client groups and corporate / portfolio plan priorities.</p> <p>Registered Providers (RPs) have advised the Council that there are a lack of available, suitable sites within the Borough on which new affordable housing schemes can be developed over the short to medium term in order to assist in meeting the Council's statutory housing and homelessness duties. This means that there will be limited bids by RPs to the Greater London Authority to access 2015-18 GLA Available Housing Funds to enable new development in Bromley.</p> <p>Financial - Operational</p>	Sara Bowrey	4	4	High	16	<p>Controls:</p> <p>1. Areas identified</p> <hr/> <p>Actions:</p> <p>- Planning to address impact</p>	4	3	Significant	12	A failure to develop affordable housing schemes may lead to an increase in homelessness and increase demand for bed and breakfast accommodation.
ENV/PAR.0393	Environment and Community Services	Transport and Highways	Parking	<p>Parking Income</p> <p>Proposed Government changes to Parking Regulations leading to major Loss of Parking income from fixed and mobile CCTV enforcement (fines)</p> <p>Financial - Operational</p>	Colin Brand	4	5	High	20	<p>Controls:</p> <p>1. Continue to lobby DfT against the proposals 2. Ensure Portfolio Holder and Leader are fully briefed</p> <hr/> <p>Actions:</p> <p>- Contingency planning - Report submitted to September 2015 Environment PDS with proposals to ensure effective enforcement continues for schools and bus lanes. Yet to be agreed by Executive.</p>	3	4	Significant	12	<p>Government draft legislation proposes banning CCTV enforcement, and extending grace periods for parking prior to penalties being issued. The total cost implications which relate mainly to a reduction in income could exceed £1m per annum. The provision for risk/uncertainty included in the Council's Central Contingency reflects the impact of this uncertainty.</p> <p>If legislation is enacted to restrict parking enforcement using CCTV cameras, then static CCTV cameras would only be allowed to enforce bus lanes and then the income figure will drop to £350k.</p>

SEE ATTACHED WORKSHEETS FOR GUIDANCE RE: RISK MATRIX, IMPACT GUIDELINES, LIKELIHOOD GUIDELINES

INSTANT GUIDE TO RISK MANAGEMENT

APPENDIX C

The Process	Identify your risks	Assess your risks	Control your risks	Monitor and Review your risks
<p>Risk Management is an important element of the system of internal control. It is based on a process designed to identify and prioritise risks to achieving Bromley's policies, aims and objectives.</p> <p>The Risk Management process is a continuous cycle:</p> <p>Using your objectives Identify your risks> Assess your risks > Control your risks> Monitor and Review your risks.</p> <p>Useful definitions:</p> <p>Risk Management is the identification, analysis and overall control of those risks which can impact on the Council's ability to deliver its priorities and objectives.</p> <p>Risk is the chance of something happening which will have an impact on objectives.</p> <p>The message is that if you don't manage your risks then you are unlikely to achieve your objectives</p>	<p>Brainstorming session using IE&E plans and departmental objectives, to identify threats and opportunities.</p> <p>Useful analytical tools:</p> <p>Political Economic Social Technological Legal Environmental</p> <p>PESTLE provides a simple and useful framework for identifying and analysing external factors which may have an impact on your service.</p> <p>Strengths Weaknesses Opportunities Threats</p> <p>Using the PESTLE output SWOT is a technique that can help a service to focus on areas for improvement and opportunities that could be pursued.</p> <p>Remember if it can go wrong it will go wrong.</p>	<p>We use a 5 x 5 matrix to assess risks (see Risk Matrix worksheet).</p> <p>Risk is scored using a traffic light system:</p> <p>Red = High Amber = Significant Yellow = Medium Green = Low</p> <p>There are two risk variables that make up the overall risk rating:</p> <p>Impact – how minor / severe is it when it happens?</p> <p>Likelihood – how likely is it / how often does it happen?</p> <p>The Risk Management Toolkit provides detailed guidance on how to score these.</p> <p>Some of these assessments can be based on past experience. In other cases you will need to take a view.</p> <p>We measure both gross risk (before any controls are taken into account) and net or residual risk.</p>	<p>Consider the controls you have in place to mitigate or reduce the risk.</p> <p>What further controls are required? Record these as actions until they are completed.</p> <p>Consider the cost of any controls against the potential benefit gained.</p> <p>What is our Risk Appetite? An element of risk is unavoidable or we would never do anything!</p> <p>AVOID a risk – stop doing the activity</p> <p>REDUCE a risk – put additional controls in place</p> <p>TRANSFER a risk – by insuring or passing the risk to a third party</p> <p>TAKE a risk – monitor to ensure the impact and likelihood do not change</p> <p>Risk of service failure can be minimised by ensuring effective Business Continuity Plans are in place. For guidance contact Laurie Grasty x4764.</p>	<p>Risks should be reviewed at least annually and whenever your business plans change.</p> <p>Remember risks evolve and change over time. Are the controls still effective?</p> <p>Your aim should be to:</p> <p>Manage threats that may hinder delivery of priorities and maximise opportunities that will help to deliver them.</p> <p>The Bromley Risk Register is maintained centrally by Audit and includes details of the risks, risk owners, controls and actions. Contact Dave Stevenson x4282.</p> <p>Further guidance on Risk Management can be found in the Managers' Toolkit on onebromley. This also provides links to the Risk Management Strategy, Risk Management Toolkit and Risk Register.</p> <p>The site also provides a link to the Health and Safety Unit who carry out H&S risk assessments. For guidance contact the Corporate Safety Advisor Charlotte Faint x7584.</p>

NEW RISK MATRIX

APPENDIX C

		RISK RATING				
IMPACT	Catastrophic 5	Medium 5	Significant 10	High 15	High 20	High 25
	Major 4	Low 4	Medium 8	Significant 12	High 16	High 20
	Moderate 3	Low 3	Medium 6	Medium 9	Significant 12	High 15
	Minor 2	Low 2	Low 4	Medium 6	Medium 8	Significant 10
	Insignificant 1	Low 1	Low 2	Low 3	Low 4	Medium 5
Description / Score	Remote 10 yearly 1	Unlikely 3 yearly 2	Likely Annually 3	Highly Likely Quarterly 4	Almost Certain Monthly 5	
		LIKELIHOOD				

RISK RATING	SCORE
Low	1 to 4
Medium	5 to 9
Significant	10 to 12
High	15 to 25

Recommended actions (with an overall aim of reducing the net risk rating):

High	Review controls and actions every month
Significant	Review controls and actions every 3 months
Medium	Review controls and actions every 6 months
Low	Review controls and actions at least annually

Risk Variables – Impact (Severity) Guidelines

APPENDIX C

Score / Risk Examples	Compliance and Regulations	Financial	Service Delivery	Reputation	Health and Safety
Insignificant 1	Minor breach of internal regulations, not reportable	Less than £50,000	Disruption to one service for a period of 1 week or less	Complaints from individuals / small groups of residents Low local coverage	Minor incident resulting in little harm
Minor 2	Minor breach of external regulations, not reportable	Between £50,000 and £100,000	Disruption to one service for a period of 2 weeks	Complaints from local stakeholders Adverse local media coverage	Minor Injury to Council employee or someone in the Council's care
Moderate 3	Breach of internal regulations leading to disciplinary action Breach of external regulations, reportable	Between £100,000 and £1,000,000	Loss of one service for between 2-4 weeks	Broader based general dissatisfaction with the running of the council Adverse national media coverage	Serious Injury to Council employee or someone in the Council's care
Major 4	Significant breach of external regulations leading to intervention or sanctions	Between £1,000,000 and £5,000,000	Loss of one or more services for a period of 1 month or more	Significant adverse national media coverage Resignation of Director(s)	Fatality to Council employee or someone in the Council's care
Catastrophic 5	Major breach leading to suspension or discontinuation of business and services	More than £5,000,000	Permanent cessation of service(s)	Persistent adverse national media coverage Resignation / removal of CEX / elected Member	Multiple fatalities to Council employees or individuals in the Council's care

Risk Variables – Likelihood (Probability) Definitions

APPENDIX C

Score	Description	Expected Frequency
1	Remote	10-yearly
2	Unlikely	3-yearly
3	Likely	Annually
4	Highly Likely	Quarterly
5	Almost Certain	Monthly

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CORPORATE RISK	RESPONSIBLE OFFICER	PRIORITY ACTIONS
<p>FINANCIAL (failure to deliver a sustainable Financial Strategy which meets BBB priorities and failure of individual departments to meet budget)</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. As a consequence of significant Government funding reductions (austerity continues until at least 2019/20), need to reduce the Council's significant 'budget gap' of £26m per annum by 2019/20. 2. The Government's aim is to transform 'local government, enabling it to be self-sufficient by the end of Parliament' e.g. business rates to be fully devolved to local government by 2019/20. A future national recession could have a significant impact on income generated to fund key services within a fully devolved model. 3. Failure to meet departmental budgets due to increased demand on key services resulting in overspends: (Housing (homelessness and cost of bed and breakfast); Social Care (welfare reform and ageing population); and Waste (growing number of households). 4. The risk of the Council not being able to carry out its statutory duties (e.g. pupil admissions, school improvement, child protection) as a consequence of funding reductions. 5. Dependency on external grants to fund services (schools and housing benefits are ring-fenced) - effect if grant reduces or ceases. 6. The introduction of a new national living wage will have cost implications to the Council over the next few years (e.g. care providers and carers). 7. As the local government core grant is fully phased out, local government will take on new funding responsibilities e.g. public health, housing benefit administration for pensioners, attendance allowances etc. With ageing population there will be associated cost pressures. 8. Impact of welfare reforms (phased replacement of housing benefit to Universal Credit). From April 2016 working age claimants in receipt of Council Tax Support (CTS) will be required to pay a minimum of 25% towards their Council Tax liability (previously 19%). 9. Dependency on Council Tax payers paying an additional precept to specifically fund vital services e.g. adult social care, in addition to any general council tax increase. 10. Failure to identify and highlight frauds and weaknesses in the system of internal control (which invariably have a financial impact). Overall, fraud losses are mainly benefit related (Council Tax Support / Single Person Discount). 	Director of Finance	<p>Regular update of forward forecast.</p> <p>Early identification of future year savings required.</p> <p>'Transformation' options considered early in the four year forward planning period.</p> <p>Budget monitoring to include action from relevant Director to address overspends including action to address any full year additional cost.</p>
<p>COMMISSIONING (failure to deliver the Council's Target Operating Model as a 'Commissioning organisation, determining who is best placed to deliver high-quality services based on local priorities and value for money principles')</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. Driven by budgetary considerations. 2. Our low cost base reduces the scope to identify efficiency savings compared with a higher cost organisation. 3. Availability of quality data to support decisions. 4. Capacity to deliver the Commissioning agenda. 5. Capacity of key areas to deliver outsourcing i.e. ICT (supporting IT and information transfers), HR, procurement teams and legal services. 6. Impact of not being able to outsource targeted services means that additional savings are required elsewhere. 7. Ensuring that we adequately engage with Members and consult staff, residents, service users, businesses and other interested parties. 8. Contracts and SLAs fail to deliver required quantity / quality / value for money services. 9. Potential downside: Contracted provider fails to meet performance standards, terminates contract or ceases to trade with the result that the service has to be brought back in-house. 	Director of Regeneration and Transformation (Commissioning Programme) and Directors (delivery of outcomes)	Ensure the organisation has the appropriate capacity and governance arrangements in place to deliver the Commissioning agenda.
<p>HEALTH AND SOCIAL CARE INTEGRATION (failure to have a plan in place by 2017 for full implementation by 2020)</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. Difficulty in achieving rapid change in a system as complex as health and social care. 2. Rising social care costs due to ageing population and people living longer with increasing complex needs. 3. Difficulties with agreeing budgets (given likely funding reductions going forward), complex governance arrangements, and workforce planning. 4. Need to focus on collaborative working (cultural differences). 5. Diminishing / reduced resources and changes in the way public funds are directed. 6. Pressure for social care services to be accessible 7 days a week both in terms of our own workforce and contracts with external providers in line with NHS priority to deliver 7 day working across the health sector. 7. LBB will need to contribute to a whole system review (led by the Bromley Clinical Commissioning Group) to ensure that funding follows the patient. 	Chief Executive	<p>A commitment to delivering an integration plan for health and social care services across the borough by 2017.</p> <p>Continued work with health partners to deliver the main transformation programmes.</p> <p>Building on the work already delivered through the S.75 and being implemented through the Better Care Fund workstream i.e. Reablement and Rehab services, Winter Resilience work, Transfer of Care Bureau and Integrated Care Records.</p>

CORPORATE RISK	RESPONSIBLE OFFICER	PRIORITY ACTIONS
<p>ORGANISATIONAL CHANGE (failure to manage change and maintain an efficient workforce with the result that BBB priorities are not met)</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. The on-going need to reduce the size and change the shape of the organisation to secure priority outcomes within the resources available. 2. Having the right people in place by implementing effective recruitment and retention strategies. 3. Potential skills gap and deterioration of service quality through loss of experienced staff as a result of age profile of workforce and downsizing (failure to succession plan). 4. Disruption while services realigned and staff appointed to new structure. 5. Increasing demands and pressures on remaining staff given increased customer expectation levels, could lead to morale issues. 6. Increased potential for internal controls to be bypassed due to flatter reporting structure. 7. Lack of capacity to lead projects / manage change agenda and consequent ability to respond to change initiatives and the achievement of outcomes and benefits. 8. Potential future shortage of professionally qualified practitioners in key areas, particularly around the Safeguarding agenda. 9. Need to ensure that relevant staff have necessary disciplines to drive improvement and enable good practice and consistency in delivering change and the achievement of outcomes and benefits e.g. risk and performance management. 10. Adverse industrial relations climate with individual and collective grievances including trade disputes with the unions, causing some disruptions to vital Council services. 11. Increasing number of employment tribunal cases causing financial and administrative inconveniences. 12. Having the right buildings and facilities to support fewer, more professional, differently organised staff. 13. Potential changes to working relationship with Members as we move to a smaller organisation. 14. The need to track continued changes to government strategy and policies coupled with changes in legislation to avoid compliance issues (approx. 1,300 statutory duties). 15. Adequacy of consultation on issues that affect residents across the borough i.e. re-organisation of libraries, Biggin Hill expansion. 16. Adverse external audit comment and resulting ratings in relation to 'excellent in the eyes of local people'. 	Director of Human Resources	<p>Continuously address the recruitment and retention of key individuals in critical posts.</p> <p>Ensure the organisation has the HR capacity and employment law expertise to manage change.</p> <p>Address the transformational and transitional capabilities (including leadership) required for a successful commissioning journey/process.</p> <p>Provide adequate resources to support and improve staff engagement and communications.</p>
<p>CONTRACT MANAGEMENT (failure to manage and monitor contracts effectively resulting in reduced performance and increased customer complaints)</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. Ensuring client side staff have the necessary training and skills to manage and monitor contracts. 2. Ensuring effective communication channels between client and provider to ensure contract compliance. 3. Need for monitoring officers to check quality of outsourced services and customer satisfaction levels. 4. Lack of understanding of the contract deliverables. 6. Short cuts in procurement processes e.g. extending contracts rather than retendering. 7. Compatibility of different systems and availability of IT support. 8. Failure of a contractor / partner / provider to maintain agreed service levels resulting in an interruption to or deterioration of service delivery. 9. Potential for operational errors / omissions by contractors (responsibility remains with LBB). 10. Managing customer expectations and dealing with complaints where there are failures. 	Directors	<p>Contract Monitoring Summary templates be completed and loaded on the Contract Monitoring team site.</p> <p>Ensure that contract data is reported to each PDS Committee as required under Contract Procedure Rules.</p> <p>Review the provision of contract and procurement information on onebromley.</p>
<p>INFORMATION COMMUNICATION TECHNOLOGY (failing to maintain and develop ICT information systems to reliably support departmental service delivery)</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. Need to ensure that Information systems are fit for future business purpose. 2. Capacity and skill within Corporate ICT to maintain and support systems during a period of significant change and in the future. 3. Increasing reliance on stability of ICT infrastructure in all areas of the Council (Lync telephony service). 4. Council website now a major channel for the delivery of services (Pay for it, Apply for it, Report it). 5. Adequacy of information governance data protection rules to ensure the confidentiality, integrity and availability of information assets. 6. IT failure impacting on critical operational systems. 7. Over the next 3 years we will need to undertake gateway reviews / procurement plans for at least 4 of the Council's business critical systems; Customer Relationship Manager, Carefirst, Housing info system and Education's Capita One system plus the main LBB website and SharePoint. 8. Transfer of IT contract to new ICT 3rd party supplier in 2016. 	Director of Corporate Services	<p>Effectively manage and plan for the transition of the IT contract from CAPITA to BT. Ensure business continuity and those deadlines for major works are achieved. Appoint Transition Manager.</p> <p>Carry out at least 4 gateway reviews for major systems.</p> <p>Increase stability of ICT infrastructure including Lync.</p>

CORPORATE RISK	RESPONSIBLE OFFICER	PRIORITY ACTIONS
<p>BUSINESS CONTINUITY AND EMERGENCY PLANNING (failure to maintain and update Business Continuity Plans, and our ability to respond to major external incidents, with the result that services are severely disrupted)</p> <p>Issues:</p> <ol style="list-style-type: none"> 1. Unavailability of Council offices / depots due to explosion / fire / flood etc. 2. Operational emergencies due to severe weather conditions, fire, or major incident. 3. Availability of trained staff to respond to external emergencies (the Council is a Category 1 responder). 4. Loss of key business systems due to power problems or system failure. 5. Inadequate IT disaster recovery arrangements leading to dislocation of Council services. 6. Sustained industrial action affecting key services. 7. Lack of Business Continuity Plan testing. 8. Adequacy of contractor's business continuity plans. 9. 'Flu' pandemic which could have a widespread impact across the borough. 	<p>Director of Environment and Community Services</p>	<p>Ensure that all Business Continuity Plans are up to date and are cross linked with one another across the Authority, specifically in relation to fall back sites, where there may be a number of departments using the same scarce resource.</p> <p>Revisit the evacuation protocols within the Civic Centre site, specifically where staff would go if there was a large cordon around Bromley Town Centre.</p> <p>Provide a more resilient out of hours service to Emergency Planning by having Local Authority Liaison Officers and Rest Centre Staff on call alongside the Emergency Planning on-call managers.</p>

CONSEQUENCES
<p>The main consequences of failing to address these risks are that we fail to deliver a balanced budget with the result that we do not achieve our Building a Better Bromley priorities. This in turn will lead to public dissatisfaction, adverse publicity and damage our reputation as an 'excellent council'.</p>

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Report No.
CEO16014

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Tuesday 5 April 2016**

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

Title: **ANNUAL INTERNAL AUDIT PLAN 2016-17**

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 2016-17.

2. **RECOMMENDATION(S)**

Members are asked to comment on the Internal Audit Plan for 2016-17.

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: £540K including £174K fraud partnership costs
 5. Source of funding: General fund, Admin subsidy, Admin penalties, Legal cost recoveries
-

Staff

1. Number of staff (current and additional): 6 FTE including 0.5 FTE risk officer post
 2. If from existing staff resources, number of staff hours: 209 audit days per quarter is spent on the current audit plan and fraud and investigations with 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 110 including Chief Officers, Head Teachers and Governors
-

Ward Councillor Views

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

3. COMMENTARY

3.1 The current Public Sector Internal Audit Standards which we are required to adopt 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 even more limited as explained later in this report
- 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 2015.
- Reviewing Value for Money arrangements for designated audits in the plan where possible as approved by Members of this Committee.
- 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 will also be informed in April 2016 on progress made against the 2015/16 Internal Audit Plan. There has been some slippage primarily to do with 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 2016/17 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 TEICCAF’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 2016/17 decrease from 830 days to 811 days. (See Appendix A). In comparison to some London boroughs this is believed to be at the lower end of planned coverage. This decrease is primarily to do with the need to make budget savings. The effect of this cut is the deletion of audit services that we currently commission from LB Wandsworth totalling 110 days in 2015/16. We have tried to mitigate some of the reduction by cutting down on time spent with school audits given the number of schools still under council control, reducing time spent on investigations and reducing days estimated for work in progress. We will still have the ability 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.
- 3.7 The vacancy of 0.6 fte that we were holding is being deleted from April 2016. The 0.5 fte post of risk management officer is being deleted from July 2016. However, it is expected that the loss of this post will have a minimal effect on the plan as each department will be expected to maintain its own risk register. Each department will submit information to Internal Audit who will act in a co-ordinating role to service the Corporate Risk Management Group and report risk management developments to this Committee.
- 3.8 The time spent on the plan also excludes days spent on servicing this Committee.
- 3.9 **Internal Audit and External Audit** – we continued to communicate with the outgoing external auditors at Bromley to ensure the Authority’s audit resource was effectively managed and targeted. It is envisaged that this will continue with new external auditors who assume responsibility for auditing the 2015/16 accounts shortly. We have met with the External Auditor to confirm that there will be liaison with Internal Audit including access to Internal Audit reports. Their audit plan is on this agenda.
- 3.10 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, temporary accommodation and procurement. These are all included in the attached 2016/17 plan – Appendix A.
- 3.11 **Commissioning**- In addition we have allocated a block of time i.e. 40 days to commissioning. We have had discussions with the Commissioning Board to agree the best use of Internal Audit time. We have identified three areas of work that audit will have an input.
- Health Checks - on those services which are due to be outsourced. An estimate of 10 audit days will be allocated, to include attendance at the Commissioning Board on a needs basis to report on control weaknesses that could be applicable to other contracts. Equally, areas where

good practice has been identified will be reported so that this can be disseminated across the Authority. The health checks will include the feasibility study and business case conducted, with detailed benefits analysis; governance and reporting arrangements; the most appropriate service delivery model has been considered; effective change management and communication plans have been put in place; that there is an effective client management / client operation arrangement in place; property issues have been adequately considered; stakeholder engagement and consultation has been carried out; IT arrangements and processes including security, ownership and processing of data has been addressed; robust contract management arrangements have put in place; an exit strategy / continuity of service has been considered if the contract needs to be terminated; practical and enforceable penalties are written into the contract; outcomes are measurable, with realisation of intended benefits; management of risk; sustainable service delivery; adequate tools are in place to tackle poor performance; robust performance indicators are included in the specification or Service Level Agreement.

- Pro-active analysis- we intend allocating 10 days on analysis of existing contracts which are coming to an end but where a waiver has been submitted, instead of re-tendering the contract; and for those contracts where a Gateway Review should have been carried out, assess if the Gateway Review Process has been carried out and reported as set out in Contract Procedure Rules.
- Client management/ client monitoring – adequacy of the management of the outsourced operation. We intend allocating 20 days on a sample of high value and some medium value contracts which are at various stages of their lifecycle. Audit testing will include checking of contract summary sheets have been submitted and the information recorded is complete, accurate and timely; client contract managers appointed have the right skills and experience to monitor those contracts; training and guidance has been provided for those managing and monitoring contracts; performance related information received and checked is complete, accurate and timely; information on contract performance and risk is reported upwards to the right levels of management ie Assistant Directors, Directors and Members; user satisfaction/complaints are considered as part of the monitoring process; level of defaults or contractor claims; monitoring of “commercial health” of contractor to ensure viability; clarity around roles & responsibilities; visits to clients and monitoring meetings take place and monitoring meetings are minuted setting out any agreed actions; payments to the contractor, penalties and service credits; intended outcomes and benefits identified in the business case or at the start of the contract, including value for money are being monitored i.e. are savings being delivered; penalty clauses are invoked where performance does not meet requirements or breach of contract; where good practice in client management is identified, this is communicated across the Authority; and information recorded correctly on Corporate Contracts Register.

3.12 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.

3.13 Audit Plan coverage

- To deliver the statutory requirements of the Accounts and Audit Regulations 2015.
- 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 and 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.

3.14 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 the HM Inspectorate of Probation 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

3.15 The total planned coverage for 2016/17 of 811 days includes core system audits, operational audits across the directorates, schools (excluding academies), a total of 80 days for fraud and investigative work, 45 days work in progress carried forward from 2015/16, provision for advice and support and 75 days contingency time to cover unplanned work such as management requests or further testing that may be required in the event of initial field work indicating major findings. (See Appendix A).

3.16 The audit plan coverage of 811 days is arrived at after deductions for bank holidays, annual leave including carried forward leave, training, sick leave, liaison with outside bodies including our External Auditors, management time, time spent in servicing this Committee.

3.17 The plan as indicated in Appendix A allocates 340 days to the Chief Executives Department to reflect responsibility for key financial systems, IT, Legal, Regeneration and Transformation to include commissioning and HR; 241 days to Education, Care and Health Services including schools; and Public Health; 75 days to Environment and Community Services; and 80 days for fraud and investigation work including NFI work and monitoring the partnership agreement with RB Greenwich.(Appendix A)

3.18 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 2015/16 plan, we had provisionally highlighted the following audits that could be subject to VfM arrangements: Youth Offending Service and SEN. In addition we

had to complete Temporary Accommodation and Planning brought forward from 2014/15. The Youth Offending Service has been completed and is elsewhere of this agenda. SEN is currently work in progress. Due to the further reduction in audit resources and the commissioning out of services we are proposing to carry out two reviews of VfM arrangements for the following audits– Early Years and Residential Placements for Older Persons.

3.19 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 2016/17 is attached at Appendix A, with an indication of probable topics to be covered

3.20 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 pre audit questionnaire and internal audit testing for schools	Internal Audit issue pre audit questionnaire 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

Audit Method/Technique	Explanation
	compliance with the Council's corporate procurement strategy and associated management structures and processes, including the Contract Procedure Rules. This audit will also consider Value for Money aspects and review of cumulative spends.
Control Risk Self -Assessment	Facilitating the review by services of their own risks and controls in a structured way, for example, via questionnaires or workshops. This has not been utilised as was previously envisaged due to time input requirements from both auditees and auditors given reducing staff resources.
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	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. We also use IT for sampling.

3.21 Changes that have resulted in input to the 2016/17 plan:

- Allocation of time to cover commissioning agenda that will impact on the plan as detailed in paragraph 3.11 above.
- 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 75 days of contingency time.
- Issues arising from the proactive exercises that are ongoing and detailed elsewhere on this agenda.

3.22 Regularity audits including schools

3.23 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.

3.24 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 pre audit questionnaire issued to schools combined with audit testing for schools. The number of days allocated to schools is 30 days (which will cover 8 schools plus time allowed for follow ups) compared to 40 days in 2015/16. The reduction also takes in to account that closure audits for schools that have converted to academy are covered by the Schools Finance Team and the fact that we are likely to have about 17 schools in 2016/17 (after the forthcoming conversions) that may still be under Bromley's control.

3.25 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. Please refer to paragraph 3.5 on factors that are considered in risk assessing an auditable area. This represents agreed best practice from a professional audit service. Conduct of an audit using this methodology will enable us to:

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

3.26 Standards

3.27 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 an 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 Public Sector Internal Audit Standards and 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 2015/16, NFI 2016 data gathering requirements we have allowed for at least 80 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 investigations.
- 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 on the web.

3.28 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 DBS checked and are required to sign off conflict of interest forms.

3.29 The Internal Audit plan for 2015/16 was benchmarked to other boroughs in terms of days available, time allocated to fundamental financial systems, operational audits, procurement, schools and IT. Generally given the size of the Internal Audit section in most of the above areas we are just below the average apart from fundamental financial systems where we are above average when compared against 12 other authorities. A similar exercise will be carried out this year for the 2016/17 annual internal audit plan.

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 2015 require the Council to maintain an adequate and effective internal audit function.

7. PERSONNEL IMPLICATIONS

Of the 5.5 FTEs who will be in post there will be at least the equivalent of 5.0 FTEs who will directly be involved in carrying out this plan. An element of the Head of Audit's time i.e. 0.5 FTE will not be involved in direct audit planned work.

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

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AUDIT PLAN 2016/17 SUMMARY		
Department		Total Days
Chief Executives		340
Education Care and Health Services including Public Health		241
Environment & Community Services		75
Anti-Fraud and Investigations		80
Contingency		75
Total Audit Days		811
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 SPD application process 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, . 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. To review cases where accounts have ceased to see the legitimacy
Cash & Banking	10	To include coverage of the new kiosks at Penge Library, cash receipting and parking cash collection. To review the process for writing of differences in banking.
Pensions	10	Coverage of key controls of reconciliations and performance; Controls around pensions control account. To look at re-enrolment and the procedures for annual and lifetime allowances
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
Chief Executives Finance-Fundamental Systems total	125	
IT Audit-Review of CareFirst system	12	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
IT Contract Transfer	10	To include network security
New Housing and IDScan systems	5	To give advice to the implementation of the new housing and Idscan systems.
Chief Executives IT Total	47	
Agency staff	10	To review usage of Agency staff, compliance with agreed procedures, eligibility criteria and payments made
Document storage/ retention	10	To determine the controls in place for retaining documents and information securely and costs incurred in doing so.
Election Expenses 2014	5	To review the election expenses from the 2014 Local Elections
Chief Executives-Corporate	25	
Payroll-Expenses	15	Coverage of key controls, starters, payments, deductions and variation to pay. To look at controls in place to ensure employment status following the HMRC audit
Biggin Hill Airport	10	To determine if income due to the council has been correctly calculated and paid over
Commerical Properties	8	To assess the controls in place around the acquisition of comerrical properties and rent received
Building Control	10	To include determining the process for Building control notifying the Valuation Office of changes in valuation and the affect on council tax charges
CIL	10	To test the procedures for collection and payment of CIL money. Q1/2
Chief Executives-Regeneration and Transformation Total	53	
Contract Monitoring	20	Client management/ client monitoring – assessment of the adequacy of the management of the outsourced
Pre-Commissioning Health Checks	10	Health checks on those services which are due to be outsourced.

Pro active work on waivers and gateway reviews	10	Assessment of the Gateway Review Process to confirm it has been carried out and reported as set out in Contract Procedure Rules. Analysis of existing contracts which are coming to an end but where a waiver has been submitted, instead of re-tendering the contract. Running a report from the Oracle financial system to identify suppliers with high cumulative expenditure and checking to confirm that a contact is in place.
Chief Executives Commissioning	40	
Follow-ups		
Insurance	2	
Legal Expenses	2	
Section 106	2	
Liberata	5	To include coverage of SFT, FA and A&D. Q2/3
Planning Enforcement	2	To include testing of expenditure in compliance with Financial Regulations
Confirm	2	
Follow ups	15	
Governance Arrangements	5	Work required for input into Annual Governance Statement
Work in progress	15	
Advice and Support	15	
Total CEX	340	
Education,Care & Health		
Early Years	10	Review the system to pay providers and the monitoring arrangements of funds allocated to settings for 2, 3 and 4 year olds.
Tackling Troubled Families	5	Verification of the 2016-17 claims, attendance at the TTF Board and follow up the 2015-16 audit.
Bromley Children's Project	10	Review the systems for assessing and monitoring BCP users, including expenditure controls and income collection
CareFirst	10	Review of the financial controls/budget monitoring, management information and reporting. Consider the adequacy of system controls, access, input, output, backup and recovery. Assess the timeliness of data input by users. Follow up previous audit findings from associated reviews and investigations, including accuracy of data.
Adult and Children's Safeguarding	10	Review the system to monitor the budget, assessments and controls to ensure all cases are effectively managed within agreed time scales and according to safeguarding procedures.
Residential Placements Older Persons	10	Review the system to assess, evaluate and place clients to residential care. Evidence the accuracy of information held on CareFirst, specifically the dates and agreed rates given the financial impact. The procedure for emergency placements will be included in the review.

Re-ablement Team	10	Review the referral of clients to the service and the controls in place to review and assess during the term of re-ablement. Consider route, planning, case allocation, contact time and travelling expenses.
Continuing Healthcare Funding	10	Review the systems to assess and monitor clients moving from social care to health care funding. Evaluate value for money issues regarding end of life funding and ensure that all available funding streams are utilised.
Direct Payments	5	Follow up any control issues arising from the proactive data matching exercise undertaken by Greenwich Fraud Team and the 2015/16 audit recommendations.
Looked After Children	10	Review the system to assess place and review looked after children; consider timeliness of authorisation and reviews. Verify that all payments are supported by an authorised funding decision. Review cash management and use of the imprest account.
Temporary Accommodation	20	Review the system for placement of B&B, young people and families with no recourse to public funds. Review of ANITE, accuracy and completeness of information, management reports and compliance to agreed procedures. Verify the procedures for procurement and budget monitoring. Follow up recommendations from previous audit review of the Orchard and Shipman contract. Follow up any control issues arising from the proactive data matching exercise undertaken by Greenwich Fraud Team.
Charging Policy	10	Review the system to collect income from Non-Residential charges. Verify the assessed financial contribution, service agreements, collection of income and recovery of debt. Establish procedures to monitor temporary changes that may impact on service delivery and charging. Verify that the agreed fees and charges are correctly levied.
No Recourse to Public Funds	5	System review of the assessment and monitoring of NRPF cases, to include payment procedures. Consider the effectiveness of counter fraud initiatives specifically referral to Greenwich Fraud Team and data sharing with other Boroughs.
Home Tuition – Out of classroom tuition	5	Review the system for referral, assessment and payment to providers.
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 on external contractors. Verify compliance to VAT requirements.
Central Placement Team	10	review the system 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.
Contracts and Commissioning for Public Health - Substance Misuse	10	To review the controls in relation to Substance Misuse contracts

Contracts and Commissioning for Public Health - School Nursing	6	Review of School Nursing within Public Health to ensure compliance to Financial Regulations and Contract Procedure Rules.
Schools	30	To carry out planned school visits
Extra Care Housing	2	Follow ups
Public Health	2	Follow ups
SEN	2	Follow ups
Youth Offending Team	2	Follow ups
Children with Disabilities	2	Follow ups
Manorfields Investigation	5	Follow ups
Advice and Support	15	
Work in progress	20	
Total ECHS	241	
Environment and Community Services		
Car Parking - Income- multi storey and on street	10	Review key controls to include controls on collection of income for permits and parking dispensation and follow-up of previous audit recommendations
Car Parking - PCNs	10	Audit review to include key controls and follow up- area to be reviewed to be discussed with management
Waste Services	10	Area of review to be discussed with Management
Transport and Highways	10	Review of controls on works and defaults for street works
Transport and Highways	10	Review of controls around Crossovers .
Environment Protection	5	Management request
CCTV	1	Follow up
Stray Dogs F/up	2	Follow up
Libraries Audit	1	Follow up
DFG	1	Follow up
Advice and Support	5	
Work in progress b/fwd from 2014/15	10	
Total ECS	75	

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Report No.
CEO 1619

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Tuesday 5 April 2016**

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

Title: **EXTERNAL AUDIT ANNUAL 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

Review of the External Auditors' annual plan arrangements for 2015-16.

2. **RECOMMENDATION(S)**

Members are asked to note the External Auditor's arrangements for the Audit Plan 2015-16.

Members should note the materiality limits set out in the plan.

Members should note the decrease in the audit fee of 25%.

Members should note the value for money arrangements set out in the plan.

Members are also asked to comment on the document titled 'Local Government Budget Survey'.

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: £119K for the external audit of the accounts 2015-16
 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 arrangements for the Audit Plan 2015-16 attached as an appendix to this report.
- 3.2 Members should note the reduction in the audit fee of 25% equating to £39,692. The fee is now set at £119,076.
- 3.3 Members should note comments on materiality limits within the External Auditor's Annual Plan.
- 3.4 Members should note the value for money arrangements set out in the plan.
- 3.5 Members are also asked to comment on the document titled 'Local Government Budget Survey' that is attached to this report.

4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

There is a cost element in auditing the accounts for the financial year 2015-16. The total fee is expected to be £119K.

6. LEGAL IMPLICATIONS

There is a legal requirement to externally audit the accounts as set out in the Local Audit and Accountability Act 2014.

7. PERSONNEL IMPLICATIONS

None

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

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External Audit Plan 2015/2016

Page 69

London Borough of
Bromley and
associated Pension
Fund

March 2016

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Council needs to comply with.

Materiality

Materiality for planning purposes has been set at **£9.3m** for the Council and **£7.4m** for the Pension Fund.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £465,000 for the Council and £370,000 for the Pension Fund.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Risk of fraud in revenue recognition
- Management override of controls
- Valuation of Property, Plant and Equipment
- Valuation of pension assets and liabilities

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Opening Balances
- Pension fund investments
- Special Purpose Vehicle

See pages 3 to 6 for more details.

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Value for Money Arrangements work



The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial Resilience; and
- Better Care Fund

See pages 7 to 10 for more details.

Logistics



Our team is:

- Philip Johnstone - Director
- Hannah Andrews – Manager
- Jonathan Chowis – Assistant Manager

More details are on **page 13**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 12**.

Our fee for the audit is £119,076 for the Council and £21,000 for the Pension Fund; see **page 11**.

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We look forward to working with officers and Members during the course of the year.

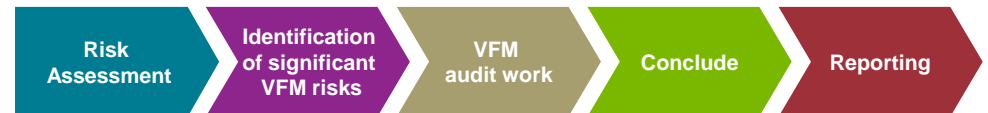
Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16, and the findings of our initial VFM risk assessment.



Financial Statements Audit Planning

Our planning work took place during January to February 2016. This involved the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

- Fraudulent revenue recognition – We will obtain an understanding of revenue controls. We will evaluate and test accounting policies for income recognition to ensure they are consistent with the requirements of the Code of Practice on Local Authority Accounting. We will perform detailed testing of revenue transactions, focusing on the areas we consider to be of greatest risk, for example, fees and charges and grant income where there are conditions attached to the grant income.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Valuation of Property, Plant and Equipment (PPE)

- Risk: At 31 March 2015 the value of the Council's PPE was £523m. In addition, the Council made impairment losses on non-current assets in 2014/15 of £26.6m. Local authorities exercise judgement in determining the fair value of the different classes of assets held and the methods used to ensure the carrying values recorded each year reflect those fair values. Councils are responsible for ensuring that the valuation of PPE is appropriate at each financial year end and for conducting impairment reviews that confirm the condition of these assets. We have assessed that the inherent uncertainty in valuation and high value of assets held by the Council creates a significant risk to the financial statements for 2015/16.
- Approach: We will undertake work over the valuation, existence, ownership, completeness and accuracy of fixed asset balances. We will undertake specific testing as follows:
 - Challenge management basis of valuation; understand any professional valuation received; and consider the judgements made by the Council;
 - Complete testing over new capital additions in year to confirm appropriately capitalised and that Council ownership is evidenced; and
 - Review disposals made in year and confirm appropriate removal from the PPE balance in 2015/16.

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Valuation of Pension assets and liabilities

- Risk: Pension valuations require a significant level of expertise, judgement and estimation and are therefore more susceptible to error. This is also a very complex accounting area increasing the risk of misstatement.
- Approach: Our audit will include:
 - Confirming the information provided to the actuary from the Authority.
 - Reviewing the actuarial valuation and considering the disclosure implications.
 - Considering the assumptions made by your actuaries to benchmarks, including those which are collated by our KPMG actuaries, and to the assumptions used for 2014/15 for consistency.



Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Opening Balances

- Risk: The balances reported as the opening position and comparators in the 2015/16 financial statements comprise an integral part of your financial statements and are included within the assurance opinion we provide to you. As this is our first year of your audit, we have to conduct further work over these balances to be able to assure those charged with governance that they are free from material misstatement due to fraud or error.
- Approach: A requirement of the professional auditing standards is that we meet with the outgoing auditor to ensure that key information and significant findings are communicated to us. We have completed the handover process with the predecessor firm and where possible we will seek to place reliance upon their findings to ensure that the burdens placed upon the finance team resulting from the change in auditor are minimised.

As a part of our interim audit we will perform analysis of the opening balances recorded within the accounting system and agree these to the audited 2014/15 financial statements. We may seek to agree significant balances to accounting records and other third party sources of information.

Pension Fund investments

- Risk: During 2014/15 the Council reviewed the diversity of its investment portfolio for its Pension Fund and invested in diversified growth funds. Certain pension fund investments such as diversified growth funds are inherently risky to value, include estimation techniques and are subject to judgement by the fund manager when valuing the assets.
- Approach: We will 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.

Investment Special Purpose Vehicle (SPV)

Risk: the Council is planning to enter into a SPV which will acquire housing stock for temporary accommodation with a view to reducing temporary accommodation costs. The Council is planning to 'gift' the assets to the pension fund with a view to reducing the pension fund deficit. There are risks around the accounting treatment of the SPV and the pension fund 'gifting' and how this is dealt with in the triennial valuation.

- Approach: We will discuss with management their intentions with respect to the SPV ahead of the year end audit. Should the vehicle be established ahead of 31 March 2016, we will review the terms of establishment in order to agree the most appropriate accounting treatment.



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgment to represent 'misstatements' unless the application of that judgment results in a financial amount falling outside of a range which we consider to be acceptable.

Reporting to the Audit and Governance Committee

For the Council, materiality for planning purposes has been set at £9.3m which equates to 1.5% percent of gross expenditure for 2014/15.

For the Pension Fund, materiality for planning purposes has been set at £7.4m. This equates to 1% of net assets held by the Fund as at 31 March 2015.

We design our procedures to detect individual errors at a set performance materiality level. For the Council this is set at £6.5m, and for the Pensions Fund this is £5m for the year ended 31 March 2016.

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260 (UK&I), we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance, and to request that adjustments are made to correct such matters. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

- In the context of the Council we propose to report all individual unadjusted differences greater than £465,000 to the General Purposes and Licensing Committee.
- In the context of the Pension Fund we propose to report all individual unadjusted differences greater than £370,000 to the General Purposes and Licensing Committee.
- We will also have regard to other errors below this amount if evidence of systematic error or if material by nature.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the General Purposes and Licensing Committee to assist it in fulfilling its governance responsibilities.

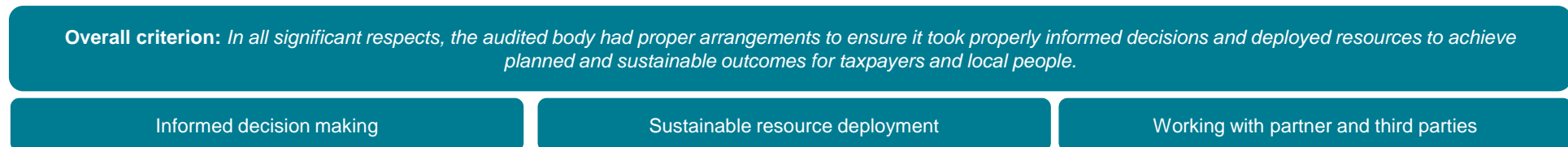


Background to approach to VFM work

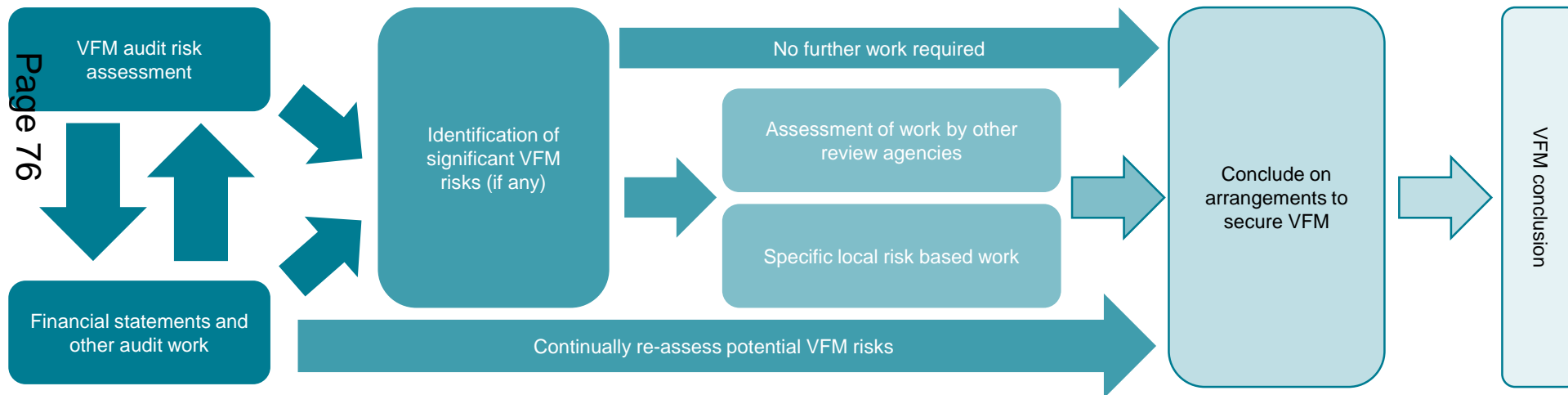
The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Council. The diagram below shows the details of this criteria.



The full guidance is available from the NAO website at: <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>. Our approach to the value for money conclusion is recorded below:





VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Council. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Council's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Council's organisational control environment, including the Council's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>The foundation of our approach is to avoid duplication of audit effort, by integrating our financial statements and VFM work. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Council and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

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VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Council; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and outside the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p> <p>Page 78</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Council's arrangements for securing VFM), which forms part of our audit report.</p>



Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Financial Resilience

- Risk: Local Authorities are subject to an increasingly challenged financial regime with reduced funding from Central Government, whilst having to maintain a level of services to local residents. The Council is facing on-going funding pressures. The Council needs to deliver £26m of savings over the four years covered by the Medium Term Financial Strategy, which will prove challenging in the context of increasing cost pressures and reducing budgets
- Approach : We will review the robustness of the Council's financial position and financial management procedures, taking account of the position reported in its Medium Term Financial Strategy, its overall level of reserves and savings and budget setting strategies. We will consider forecast financial data over both the immediate and long-term plans and evaluate the likelihood of the Council achieving the budgeted position. We will also take into account latest Government spending policies and anticipate their effect on the Council's outturn position.

Better Care Fund

- Risk: The Better Care Fund (BCF) was set up by Government to encourage joint work across health and adult social care to ensure local people receive better care. The Council and Bromley CCG have established a Joint Integrated Commissioning Executive (JICE) to oversee and deliver the schemes set out in the BCF. The total shared BCF managed by the JICE is £20.8m and as the arrangements are new, crossing the health and social care boundary with organisations who have different legal structures, there is a risk that the governance and accounting arrangements may not be well developed to manage this partnership arrangement appropriately. The Council has a duty to ensure the funds provided by the BCF are spent appropriately to deliver improved healthcare outcomes in the local area.
- Approach: We will review the legal, governance and accounting arrangements that have been put in place to govern and administer the Better Care Fund within Bromley. This will include review of the formal arrangement in place with Bromley CCG and review of the activities of the JICE and Health and Wellbeing Board in place for managing healthcare outcomes across Bromley.

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Philip Johnstone (Director) and Hannah Andrews (Manager) at a senior level. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team, the Audit Sub Committee and the General Purposes and Licensing Committee. Our communication outputs are included in Appendix 1.

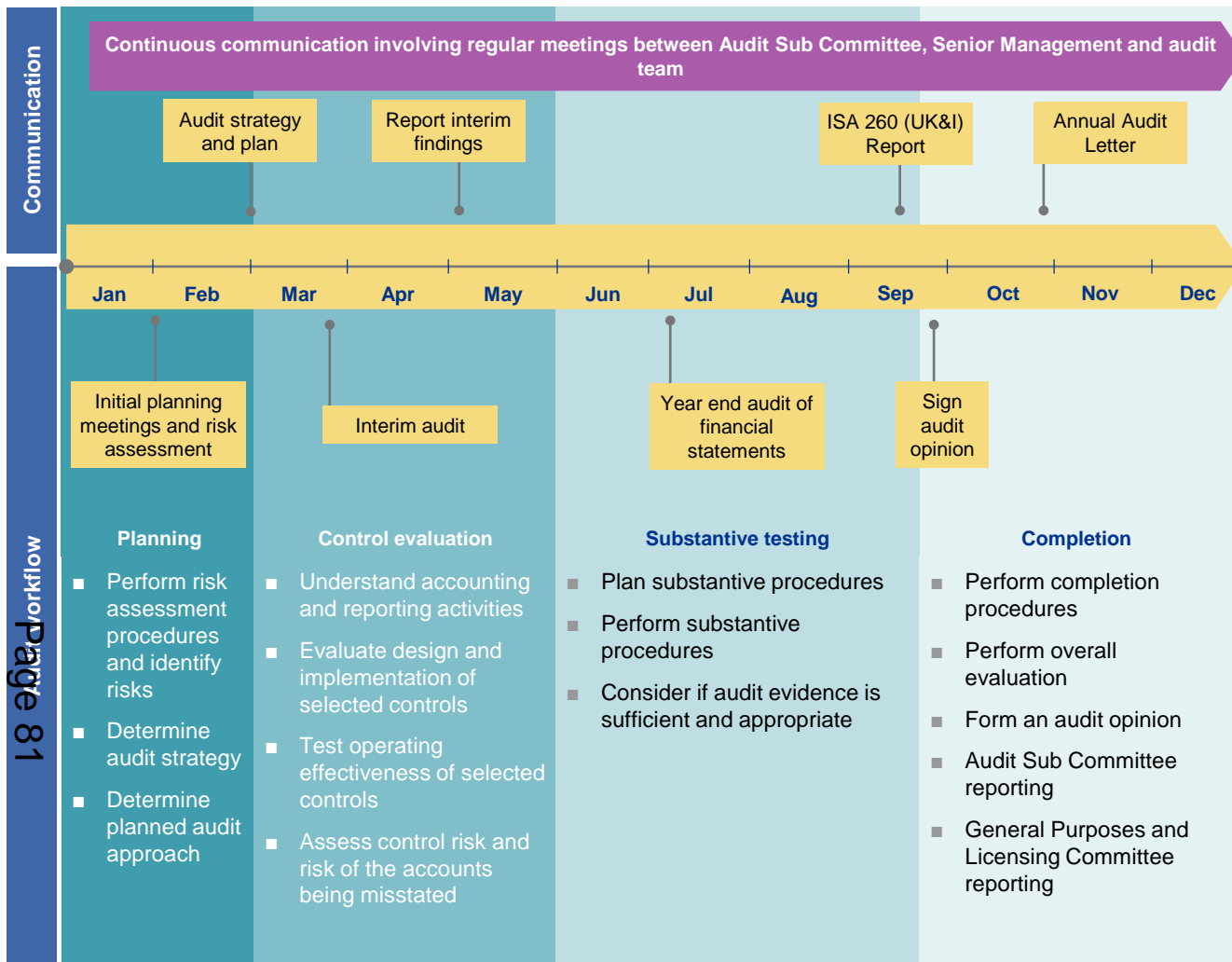
Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2015/16 is £119,076 for the Council. This is a reduction in audit fee compared to 2014/2015, of £39,692 (25%). The planned audit fee for 2015/16 is £21,000 for the Pension Fund (2014/15: £21,000).



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as journals.



Your audit team has been drawn from our specialist public sector assurance department. Phil Johnstone and Hannah Andrews will lead the audit at a senior level, with Jonathan Chowis providing on-site support. Details of each individual and their roles within the team are set out below.



Name	Philip Johnstone philip.johnstone@kpmg.co.uk
Position	Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Audit Committee, Executive and Committee Members.</p>



Name	Jonathan Chowis jonathan.chowis@kpmg.co.uk
Position	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>



Name	Hannah Andrews hannah.andrews@kpmg.co.uk
Position	Manager
	<p>'I will work closely with your staff to ensure we add value.</p> <p>I will liaise with the Director of Finance and the Finance Team.</p>

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the General Purposes and Licensing Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of 1 March 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Philip Johnstone the engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



Local Government Budget Survey

February 2016

www.kpmg.com/uk

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Introduction

Introduction

The local government sector faces well-documented, significant financial challenges for the foreseeable future. There are also opportunities linked to economic growth, notably with the new homes bonus and the prospect of local business rates retention, and the potential devolution of power to local areas. There is also an increased exposure to financial risk and volatility if growth is not as high or as sustained as hoped, or if demands for services outstrip expectations and lead to additional pressures. There is also the challenge of responding to the impact of central policies such as the 1% reduction in social housing rents from 2016-17, and the increased emphasis on home ownership rather than social renting. In this changing environment, high quality budget setting and monitoring are more important than ever for local government.

KPMG's 2011 publication 'The Brilliant Local Authority of the future' summarised the challenge facing local authorities.

"As the public sector recession bites and the localism agenda gathers pace, local government will have to address both the threats and opportunities that these forces are creating."

The paper explained that;

"In an age of austerity an iron-like grip on the organisation's financial position will be imperative..... This will entail a focus on management accounting and understanding the financial and operational performance of all parts of the business".

https://portal.ema.kworld.kpmg.com/audit/countries/europe/AuditPeople/DeptSites/IGHAudit/Technical%20guidance%20Library/RRD254220%20Brilliant%20Local%20Authority_v11.pdf

KPMG is proud to be the external auditor of a significant number of local government clients, and our audit teams consider key aspects of budget setting and budget monitoring alongside their external audit work. This paper sets out the results of a survey they completed in 2015, and analyses the assumptions and techniques used by our clients to generate budgets and to monitor them.

Our audit teams were very aware that when our clients were setting the 2015-16 budgets they were waiting for clarity about their funding for future years. Some clients had chosen not to publish a medium term financial plan until there was more certainty. Where this was the case, we took into account the work that officers were doing in preparation of the Comprehensive Spending Assessment.

Purpose of this paper

Our aim is that our clients find this paper useful when thinking about the budget information required to help address the financial challenges that they face. We hope that it will help our clients to take a fresh look at their approach to budget setting and monitoring. As financial risks and rewards continue to be localised, budgets will need to become more and more flexible and responsive to changes within financial years. We recognise that there is no single solution or blueprint for successful budgetary control, and that it is up to each client to find their own balance of summarised information and detailed data.

We plan to carry out a similar review next year. We would welcome feedback on this first version, and if there are any areas that you think that it would be useful to cover please let us know. Please let your local audit team know if you have any feedback or if there is anything you want us to take into account.

Introduction (cont.)

Our clients

We have analysed the 97 survey responses from our audit teams.

Client Type	Responses
Districts	41
London Boroughs	11
Unitary Authorities	11
Metropolitan Boroughs	10
Police & Crime Commissioners	8
Fire & Civil Defence Authorities	7
Counties	6
Transport Executives	2
Combined Authority	1
Total	97

Report Format

The paper provides the results of the responses, along with a brief analysis of the highlights (including extra information that audit teams provided where appropriate). We have also provided some possible questions that Members may wish to consider in the context of their own organisations. These questions are collated at the end of the report for ease of reference.

Key messages

We know that our local government clients have already taken significant steps to deal with the changes in their funding structure over the last few years. This paper highlights that as the financial challenges increase over the next few years there are measures that our clients can consider using in order to strengthen elements of their budget preparation, analysis, monitoring and reporting.

The move to more localised risks and rewards mean that techniques such as sensitivity analyses (to identify pressure points) and financial ratios will be key as the potential for financial volatility in the sector increases. This volatility in income and expenditure could happen at any time as well as on the annual budget-setting process, and so it is also increasingly important that our clients are alert and responsive to changes within the year, and to indications that their budgetary assumptions are no longer valid.

Tracking the achievement of savings is not straightforward. Sometimes plans need to be shelved for positive reasons – for example when there is unexpected demand for a service that generates income. It is important to identify the reasons for successful plans as well as those that fail in order to learn for the future.

The likely link between local growth and our clients' financial well-being means that selecting the right 'invest-to-save' schemes is vital, and the survey suggests that more use could be made of key processes for assessing the potential projects.

As financial pressures increase, savings measures may need to be re-considered or revisited, alongside ways to generate income.

As savings become harder to achieve, the distinction between recurrent and non-recurrent savings becomes ever more important, and also an important element of reporting to members. The General Fund Reserve is a critical safety net, and setting the minimum level is a key task that should take into account the level and nature of usable reserves, and in particular if there is a lack of flexibility within those other reserves.

The results of our survey highlight differences in the way that our clients are budgeting for key financial factors such as inflation, borrowing and lending rates and employee related cost pressures. Similarly, there is variation in the factors used to generate the budget, with some such as demographics and population change less used than others. Whilst there is no single correct approach, all of our clients need to be alert to the impact of variations on expectations.

The amount of Local Government reserves is being increasingly challenged, and there needs to be a clear understanding of the reason for the current and planned levels, and what flexibility there is within them if there becomes a need for them to reduce.

Our survey also suggests that there is some scope for further analysis of our clients' assets to identify options for change. Asset management plans that are aligned to service and staffing changes are important for ensuring that those options are co-ordinated and realistic.

We know that many of our clients are still working hard to address gaps in their savings targets for future years, and all of them will need to re-assess their assumptions when the results of the financial settlement are made clear, along with the detail behind recent announcements are made available. It is vital that their budgetary frameworks are fit-for-purpose to respond to the challenges.

The remainder of this report sets out the results of our survey and the questions we have suggested for Members to consider. We look forward to your feedback.

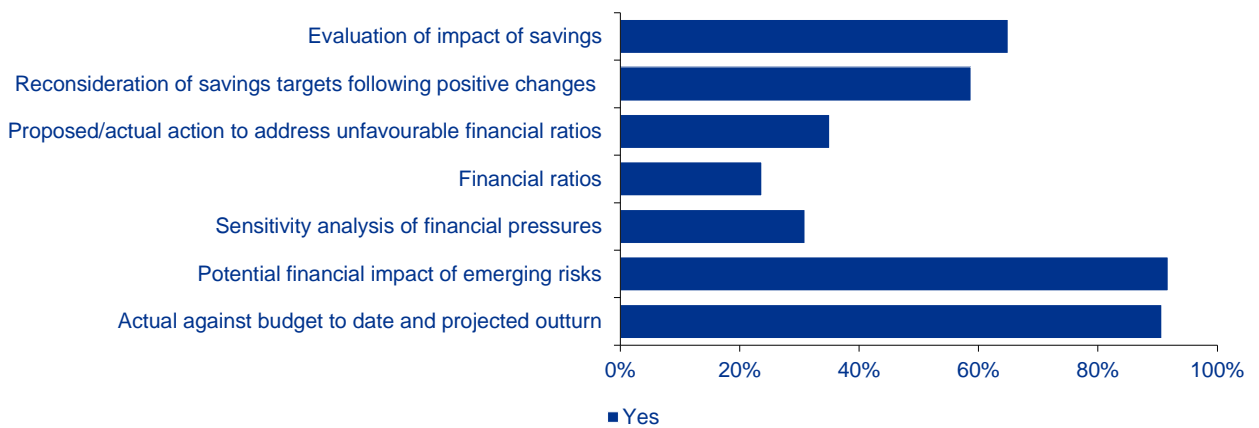
Comparatives

1

What's in your Budget Monitoring Reports?

We looked at our clients' main budget monitoring reports to see if they contained a series of potentially important elements.

Do budget monitoring reports include the following:



As expected, most budget monitoring reports identify the actual position against budget to date and a projected outturn, and the financial impact of emerging risks. The use of sensitivity analysis and financial ratios is less developed. It may be that Members will view these as more important as local financial volatility increases with the move away from block central funding.

Our audit teams highlighted some local practices that influence what goes in to the budget monitoring reports. These included that portfolio holders receive monthly summarised reports for their budget areas that supplement the quarterly reporting, or that particular committees receive detailed reports in addition to the high level reports for all members. Financial ratios are sometimes limited to particular areas, such as in the context of the Treasury Management Strategy.

There is no universal 'right level' of detail in budget monitoring reports – the key is that the reports provide decision-makers with sufficient information in the context of the other information that they receive to allow them to understand the financial position and projections.



Questions to Consider

- Do your budget monitoring reports provide an appropriate level of detail?
- Given the likelihood of increased financial pressures and volatility, do your budget monitoring reports need to evolve?
- Do members have the necessary training, skills & experience to interpret the budgetary reports and information provided?

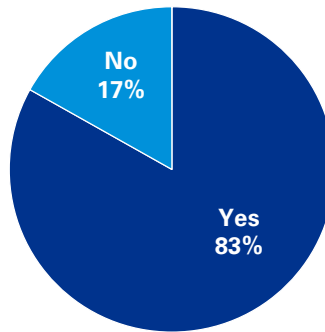
Comparatives (cont.)

2

Did you achieve last year's savings plans?

We looked at the achievement of the overall savings targets alongside the monitoring of the individual savings plans.

Did 2014-15 actual savings meet the budgeted target?



With the uncertainty about the future level and nature of funding, we know that many clients were looking to build up their levels of resilience in 2014-15, and many had savings plans that were designed to help increase useable reserves. The majority of clients met their 2014-15 budgeted savings target.

Some of our audit teams commented that better than expected income had had a significant impact on the net financial outcome – for example from the levels of new homes bonus and planning fees. We recognise that sometimes planned savings such as staff reductions are put on hold in order to meet unexpected demand for services. Tracking the achievement of savings in these circumstances can become complicated, and there is also a risk that unexpected income could result in a reduced focus on making savings elsewhere in the budget.

Our audit teams also noted examples of clients ensuring that the use of reserves is allowed only to provide new or enhanced services, and not to deal with deficits or overspends (which could mask failure to meet the savings targets). They also referred to cases where savings are built into budgets, and so are not separately identified – this links into the question on the following page.



Questions to Consider

- Do you know if your savings to-date in 2015-16 are on target to meet the budgeted amount?
- If you have received unexpected income in 2015-16, are you clear how it has impacted on your savings targets?
- If any of your 2015-16 individual savings schemes or the overall savings targets are not being achieved, do you know why?

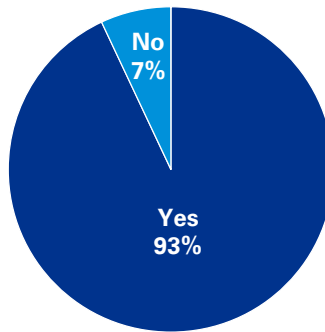
Comparatives (cont.)

3

Are individual savings plans monitored centrally?

We asked whether the individual schemes that make-up the overall savings plans are monitored centrally on an on-going basis.

Were individual savings projects/plans monitored during the year to check that expected savings remained deliverable in 2014-15?



As may be expected, the majority of our clients monitor individual schemes centrally. Audit teams that answered 'no' reported that the client approach is to expect budget holders to deliver their overall net financial target which incorporates the savings plans, and so the central monitoring is based on this net position rather than separating out savings plans.

As the pressure on budgets continues, savings will be increasingly hard to find. Whatever system is used to monitor the achievement of savings plans, it is vital that schemes that are failing to achieve the expected results are highlighted early, and that alternative measures are in place to address the financial shortfall. It is also important to learn the lessons as to why schemes fail in order to help avoid problems recurring. Similarly, successful ones can be analysed to understand the success factors, and to see if they can be replicated.



Questions to Consider

- Are you confident that you identify savings schemes that are failing at an early stage?
- Do you have alternative measures to substitute for failing savings schemes?
- Are successful schemes evaluated to identify why they worked, and to see if they can be applied in other parts of your organisation?

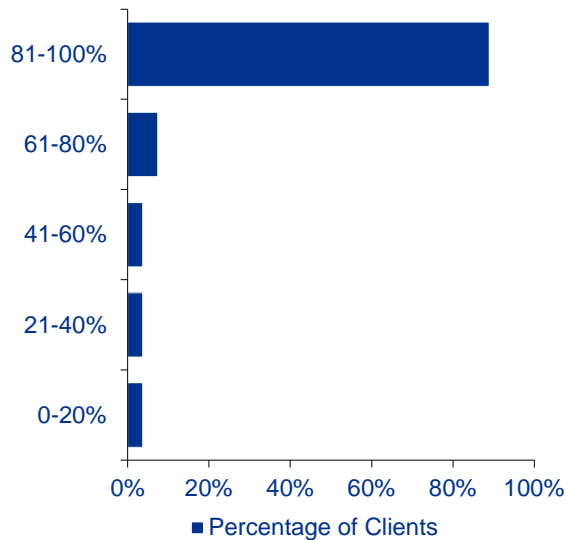
Comparatives (cont.)

4

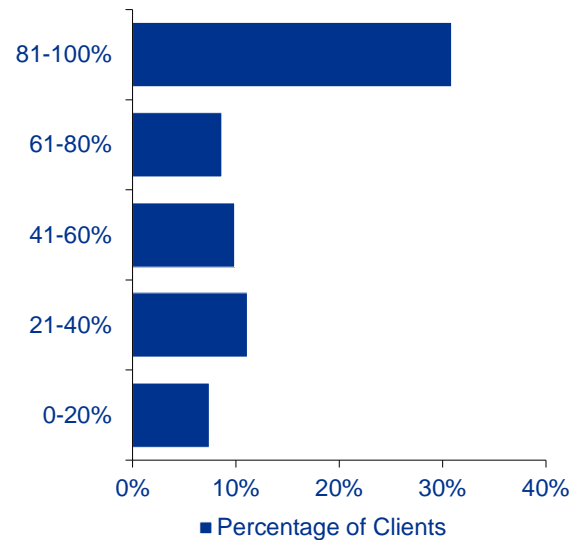
Do you have detailed plans for your savings?

We looked at what proportion of the savings targets for 2015-16 and 2016-17 had detailed plans at the start of the 2015-16 financial year to achieve them. We know that as the level of funding was uncertain beyond 2015-16, officers were estimating what level of savings will be needed.

What percentage of 2015-16 budget savings were backed by detailed plans as at 31 March 2015?



What percentage of 2016-17 budget savings were backed by detailed plans as at 31 March 2015?



At the start of the 2015-16 year, over 80% of clients had detailed plans that covered the level of savings needed. This dropped to below 40% for the 2016-17 year. As the financial position is clarified for 2016-17 and beyond, there will be a need to revisit the expected level of savings to ensure that the assumptions made remain valid and that the plans to achieve them are complete and robust on an ongoing basis.



Questions to Consider

- Are all of your savings targets backed with detailed plans?
- Are you confident that the detailed savings plans are robust and realistic?
- Are detailed savings plans updated to ensure that they reflect changes in circumstances?

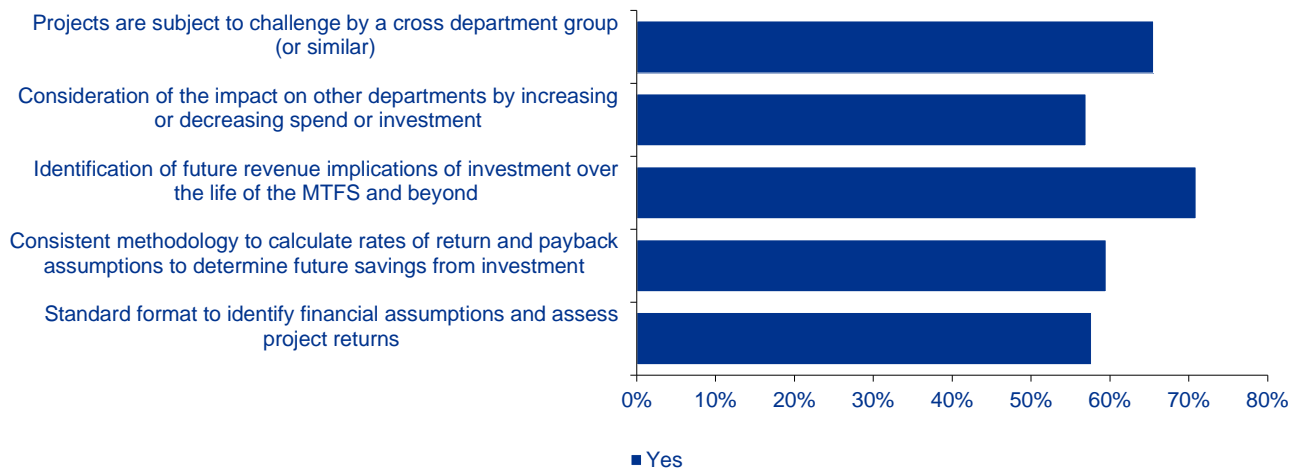
Comparatives (cont.)

5


When you consider possible invest-to-save projects, what factors do you take into account?

Even in financially pressured times we know that our clients will have opportunities to invest in new projects, and that those projects will not necessarily have an immediate or short-term impact, and may go beyond the life of the Medium Term Financial Strategy (MTFS). As available resources become more scarce, and the link increases between local economy growth and councils' financial well-being because of the localisation of economic risk and reward, it is more important than ever to have a strong framework in place to select the most appropriate invest-to-save projects. We looked at all clients for each of the elements below on a yes/no basis.

Are individual invest-to-save projects appraised using the following factors in a consistent way?



Our audit teams identified that not all of the possible tools and techniques available to our clients are being used routinely. We recognise that this may be because for some there is limited opportunity to invest-to-save, and we also recognise that the framework used to select the projects is dependent on local factors, such as the risk appetite, the range of opportunities, potential partners and other factors. However, with the confirmation of the intention to move to local business rate retention and the removal of Revenue Support Grant by 2020, selecting the right invest-to-save projects and monitoring their outcomes against their objectives will become increasingly important. It is also important to check how approved projects perform against the projected outcomes, and to assess why any significant variations have come about.



Questions to Consider

- Is your process for assessing invest-to-save projects robust and consistent?
- Are there tools and techniques you could use to help strengthen your current invest-to-save process?
- How robustly do you review the outcomes of invest-to-save projects?

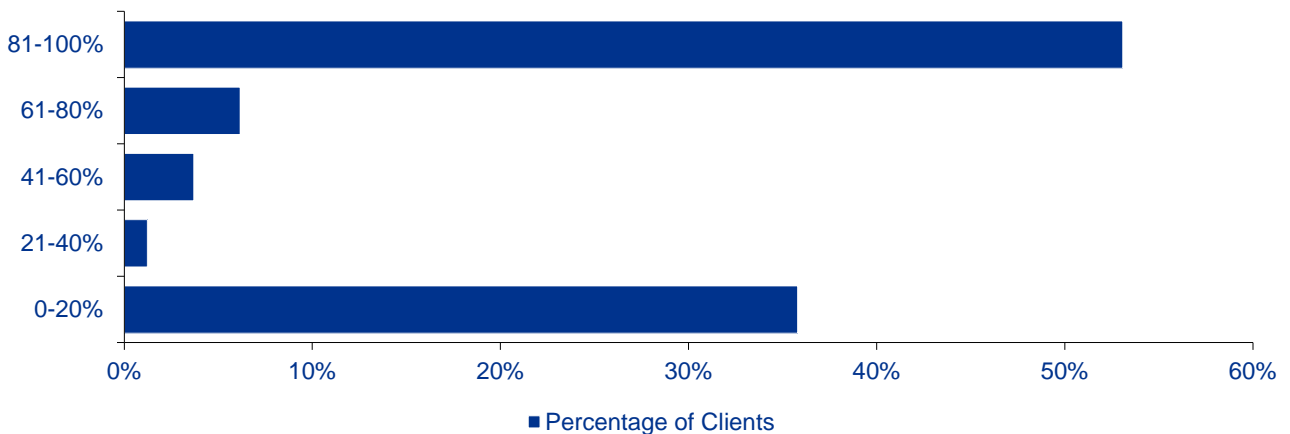
Comparatives (cont.)

6

Are your savings recurrent?

We considered the level of recurrent savings within the overall delivery of the plans. Recurrent savings are those that impact on more than one year. For example, removing a post is a permanent reduction in the budget – a vacancy freeze that delays recruitment to a post is a temporary, non-recurrent measure.

What percentage of 2014-15 actual budget savings were recurrent savings?



The majority or all of many clients’ savings were recurrent, which linked to permanent reductions in staffing levels and service reductions. Recurrent savings are particularly important in times where savings are required year-on-year, as any non-recurrent savings from previous years have to be re-achieved alongside the current year’s targets.

Unexpected income is welcome, but there can be a risk that it can help to mask either the underachievement of savings. This is a particular problem if the income is non-recurrent, as those savings will need to be made to avoid the financial impact simply transferring to the next year.

In some cases, the proportion of recurrent/non-recurrent savings was not available, and these are included in the 0-20% group above.



Questions to Consider

- Do you know the recurrent and non-recurrent levels in your savings plans for 2015-16 and beyond?
- Has the impact of any non-recurrent savings from previous years been factored into current and future savings plans?
- Do you assess unexpected income to check that it is recurrent/non-recurrent and that it has been factored in appropriately to financial monitoring and plans?

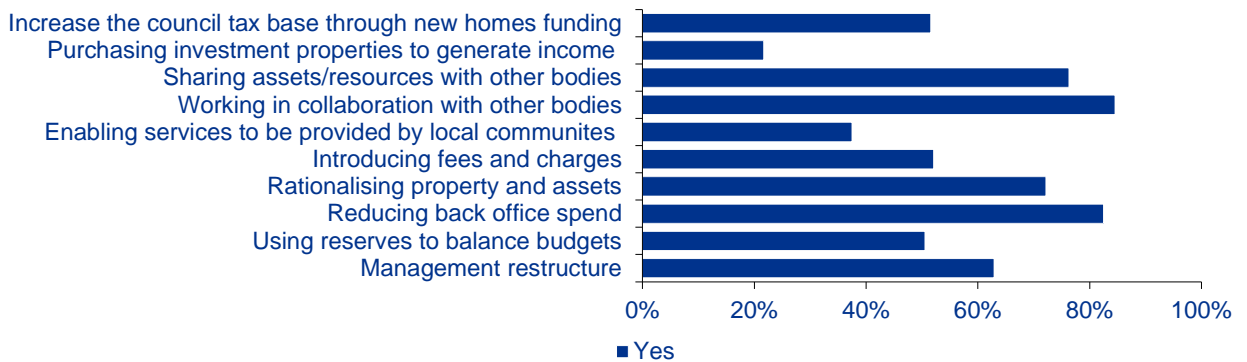
Comparatives (cont.)

7

What savings measures are you relying on for 2015-16 and beyond?

We looked at the savings measures that our clients are using in their budgets to make their medium term financial plans balance.

Which of the following measures are being used to deliver the 2015-16 budget and/or in the following years?




It is inevitable that not all clients will use all the measures, as the levels of financial pressure vary, as does the capacity to implement a variety of measures. We also recognise that some of the ‘no’ answers in the survey are because our clients have already used particular measures in previous years, such as management restructuring, where a period of stability may be appropriate to enable the changes to take effect.

It may be though that previous decisions – for example not to introduce/increase further fees and charges, or to continue to provide the current range of non-statutory services – will need to be revisited as financial pressures increase, and it is inevitable that some clients will need to make very difficult decisions in order to deliver their statutory financial responsibilities.

We asked our audit teams to highlight any other savings measures that were being used by our clients. They highlighted the following examples;

- Vacancy Management;
- Business Rates income growth;
- Withdrawal of services not deemed a priority or affordable;
- Early repayment of debt;
- Establishing a Housing Growth Company;
- Increased joint working and joint venturing;
- Procurement and contracting renegotiations; and
- Assets review and restructuring.



Questions to Consider

- Are you confident that your plans will enable you to continue to meet your statutory financial responsibilities?
- Have you considered all possible savings measures available to you?
- Are there any aspects of your budget that need to be revisited?

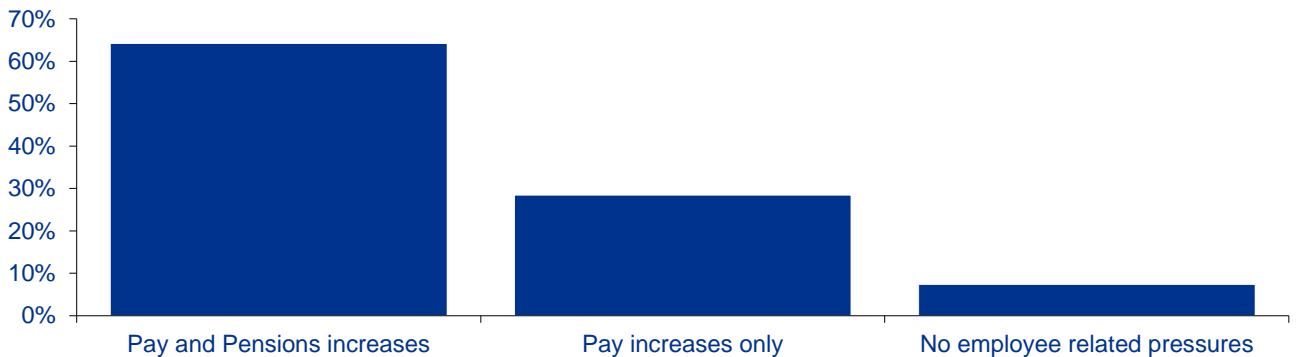
Comparatives (cont.)

8

Do you allow for pay and pension increases in your budget?

We asked all clients about their approach to factoring in employee related cost pressures, namely do you allow for pay and pension increases, just pay, or do you not allocate specific amounts for either?

What employee-related cost pressures does the 2015-16 budget include?



Nearly two-thirds of our clients factored in the impact of pay and pensions increases into the amount given to budget holders to manage. More than a quarter of our clients allowed for pay increases only in 2015-16, and in a year when there is no routine change in the actuary’s recommended level of pension contribution (which results from the triennial review), the variation in pension costs is unlikely to be significant overall. However, at an individual budget holder level, pension costs could vary up or down because of factors such as changes in the profile of staff in relation to their age, and decisions by employees to join or leave the scheme. Finally, our survey identified that a small number of clients expect their budget holders to absorb any additional employee-related costs into the overall budget that they are given to manage.

We are aware that our clients will also need to take account of the introduction of the national living wage from April 2016. There may be some internal (including subsidiary company) staff costs, but for many clients the bigger impact will be the additional costs incurred by their suppliers and the need to establish the way forward with them for service provision and continuity.



Questions to Consider

- If you don’t allow for pay and/or pension cost increases, can you identify any areas of the budget that are vulnerable to significant cost variations?
- Do you have mechanisms to identify and deal with changes to staff costs within year?
- Have you evaluated the cost of the national living wage across your cost base, including your supply chain?

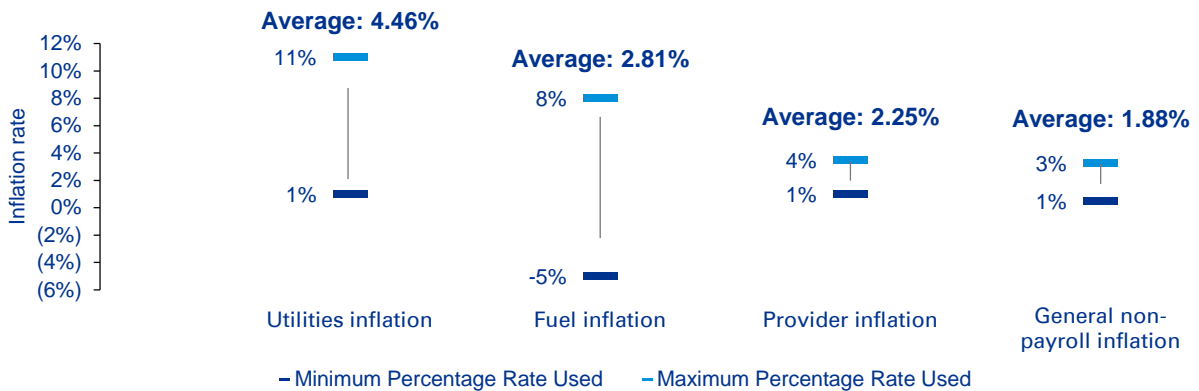
Comparatives (cont.)

9

What inflation rates do you use for particular cost pressures?

We looked at all of our clients' use of non-standard rates of inflation when preparing the budgets, focusing on four common variants. Whilst we were aware that some used a single inflation rate, we knew that others have decided to use differing rates for areas that could have a significant impact on their financial position.

If the 2015-16 budget includes separate inflation rates for the following, which rate is used?



We found that there were some large differences in the inflation assumptions made for fuel and utilities in particular (and we accept that all may be valid due to local circumstances, such as fixed increase, variable or new contract rates). Assumptions by nature are subjective, but they can be updated if it becomes clear that they are not correct. Although overall inflation is at a relatively low level, the current financial pressure means that the impact of variations in aspects of it could make a difference to achieving targets.

Our audit teams also identified that clients used inflation variations for the areas below:

- Hardware and Software price increases;
- Insurance and postage cost increases;
- Indexation increases in partnership arrangements;
- Landfill tax and building repairs; and
- Fee income rates raised to match the overall inflation assumption.



Questions to Consider

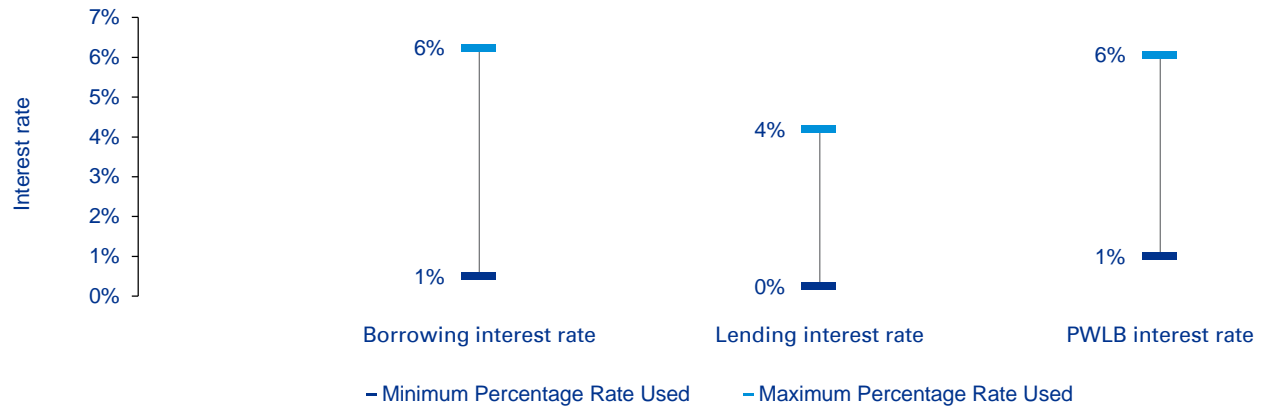
- Do you understand how your budget takes inflation into account (e.g. which supplies & services are on fixed/variable rates)?
- Do you know which inflation rate changes would have the biggest impact on your budget?
- How do you deal with inflation variations that happen within the year?

Comparatives (cont.)

10 **What rates have you used in your budget for borrowing and lending, and what other specific rates do you factor in to your budget?**

We looked at the assumptions about borrowing and lending rates that our clients have used for generating 2015-16 budgets and beyond. We also considered if our clients had identified any further areas of non-pay expenditure for particular rates.


What rates are being used to budget for borrowing and lending?



The chart shows that there were variations in the assumptions used. Lending and borrowing rates are comparatively low historically, but the variations suggest that local circumstances still make a difference to the budget assumptions. This is likely to be related to existing arrangements that date back to when rates were higher.

Audit teams also identified specific assumptions for the following non-pay areas, including the following examples:

- Rent increases;
- Change in the Council Tax base;
- Pension Lump sum increases; and
- Reduction in direct central government support.



Questions to Consider

- Do you know what borrowing and lending assumptions are used when generating the budget?
- Have you identified the areas of your budget where rate assumptions need to be specified?
- Are you alert to changes in rates within year?

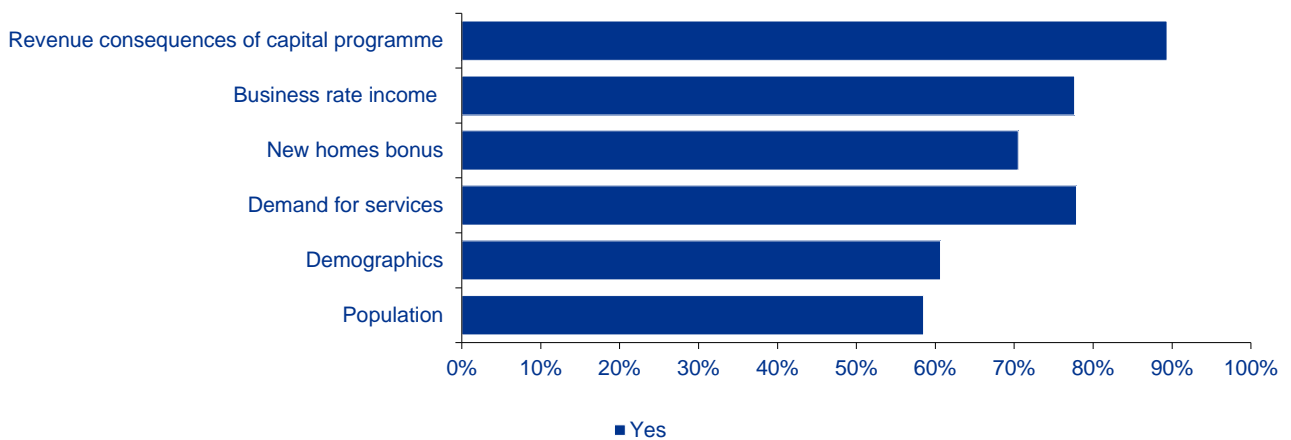
Comparatives (cont.)

11

What factors do you use when developing your budget?

We looked at a particular range of factors that are commonly used when generating budgets, and considered whether our clients used them.

Does the 2015-16 budget include evaluation of the potential financial impact of changes in the following factors?



Although all of these factors were used by the majority of our clients, the proportion using demographics (e.g. deprivation levels, average age) and population (e.g. size and location) factors was smaller than the others. It is generally accepted that the overall population is growing, and that the number of older people with complex needs is likely to increase. However, the impact will vary in different areas.

Income sources such as new homes bonus and business rates, and the demand for services from the public, are subject to variables such as economic conditions and changes in government policy. Scenario planning for the impact of changes is vital to help prepare for different outcomes. It is also important to ensure that the impact of the capital programme is affordable and to update that assessment as budgets are revised.

Questions to Consider

- Do you make use of all available data to help generate your budget?
- Do you understand how your budget is impacted by changes in the factors that drive it?
- Do you revisit the capital programme to ensure its revenue impact remains affordable?

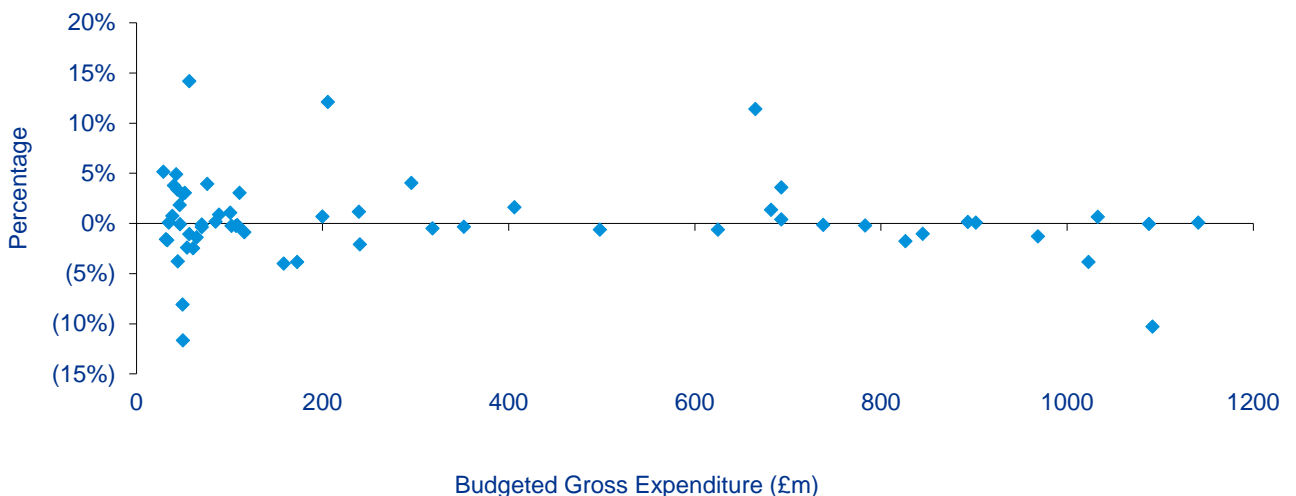
Comparatives (cont.)

12


What is the planned change in usable reserves in 2015-16?

The level of local government reserves is a much-debated topic. We looked at the planned change in the overall level of usable reserves in 2015-16 from the opening to the closing position, and compared it to the level of gross expenditure across all clients. Usable reserves includes amounts earmarked for particular reasons. Earmarked funds can be flexible – changes in policies, intended projects and plans can mean that they can become either insufficient or not needed.

What is the budget change of useable reserves as a percentage of budgeted gross expenditure compared to budgeted gross expenditure?



Many clients are planning to keep usable reserves relatively stable at the end of the year, with most variations within plus or minus 5% of the starting point. A small number have larger variations. The increases reflect that some are aiming to boost financial resilience reserves in preparation for the expected challenges to come. The reductions could be due to the appropriate application of earmarked reserves for planned expenditure. However if reserves are being used to help achieve a balanced budget for 2015-16, this may be a concern given that the financial pressure is expected to increase in the following years.



Questions to Consider

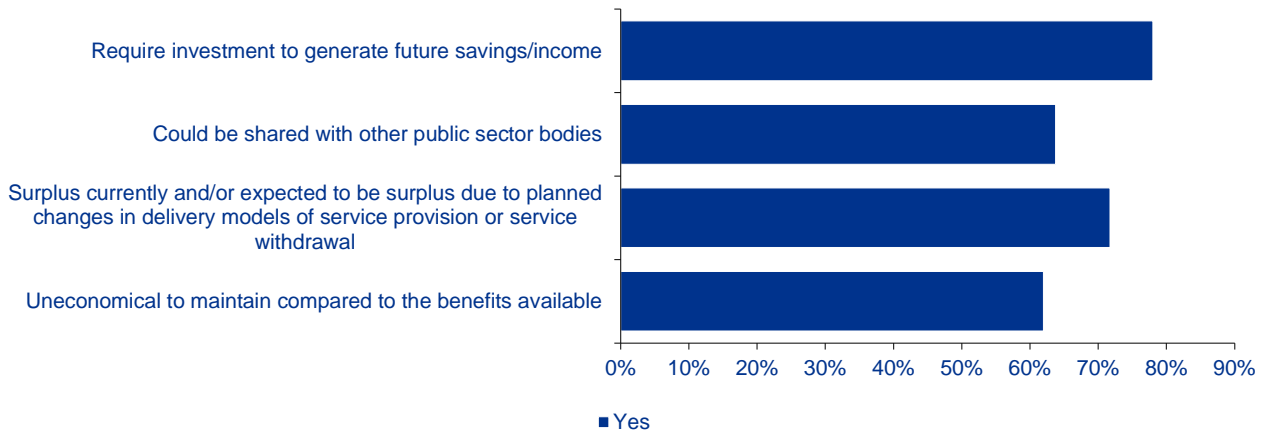
- Do you think the level of your usable reserves is about right?
- Do you understand the reason for any planned changes in the level of usable reserves?
- Do you know how much flexibility you have in your usable reserves?

Comparatives (cont.)

13 **Have you analysed your asset base?**


We are aware that many of our clients are reviewing their assets to see if they can make more use of them. We considered whether our clients had analysed assets that met four categories.

Does the body have an up to date analysis of its assets to identify those that meet the following descriptions:



The results suggest that the analysis of the costs and benefits of assets, and the analysis of current and likely surplus assets is up-to-date at a significant number of clients, but not so at a minority. Similarly, the majority of our clients have an up-to-date analysis of assets that could be made available for shared use, and that more have worked out which assets require investment. However, it is likely that some could do more to fully understand what their options are.

The importance of these assessments will vary depending on the nature of the asset base. We also recognise that some clients are taking steps such as changing ways of working that will release assets in the future, and so their analysis will be on-going. Nevertheless, asset review and management are likely to be important budgetary measures given the financial challenges. An asset utilisation plan can be used to summarise the intended use of assets, and it is vital that it is co-ordinated with any intended changes in the way that services are delivered, or changes to internal operations in order to ensure it is up-to-date.



Questions to Consider

- Do you have a comprehensive and current asset utilisation plan?
- Do your asset plans align with any intended changes to service delivery or internal ways of working?
- Are all options for asset use being considered?



Summary of Questions to Consider

Questions to Consider

1

What's in your Budget Monitoring Reports?

Questions to Consider

- Do your budget monitoring reports provide an appropriate level of detail?
- Given the likelihood of increased financial pressures and volatility, do your budget monitoring reports need to evolve?
- Do members have the necessary training, skills & experience to interpret the budgetary reports and information provided?

2

Did you achieve last year's savings plans?

Questions to Consider

- Do you know if your savings to-date in 2015-16 are on target to meet the budgeted amount?
- If you have received unexpected income in 2015-16, are you clear how it has impacted on your savings targets?
- If any of your 2015-16 individual savings schemes or the overall savings targets are not being achieved, do you know why?

3

Are individual savings plans monitored centrally?

Questions to Consider

- Are you confident that you identify savings schemes that are failing at an early stage?
- Do you have alternative measures to substitute for failing savings schemes?
- Are successful schemes evaluated to identify why they worked, and to see if they can be applied in other parts of your organisation?

4

Do you have detailed plans for your savings?

Questions to Consider

- Are all of your savings targets backed with detailed plans?
- Are you confident that the detailed savings plans are robust and realistic?
- Are detailed savings plans updated to ensure that they reflect changes in circumstances?

5

When you consider possible invest-to-save projects, what factors do you take into account?

Questions to Consider

- Is your process for assessing invest-to-save projects robust and consistent?
- Are there tools and techniques you could use to help strengthen your current invest-to-save process?
- How robustly do you review the outcomes of invest-to-save projects?

Questions to Consider

6

Are your savings recurrent?

Questions to Consider

- Do you know the recurrent and non-recurrent levels in your savings plans for 2015-16 and beyond?
- Has the impact of any non-recurrent savings from previous years been factored into current and future savings plans?
- Do you assess unexpected income to check that it is recurrent/non-recurrent and that it has been factored in appropriately to financial monitoring and plans?

7

What savings measures are you relying on for 2015-16 and beyond?

Questions to Consider

- Are you confident that your plans will enable you to continue to meet your statutory financial responsibilities?
- Have you considered all possible savings measures available to you?
- Are there any aspects of your budget that need to be revisited?

8

Do you allow for pay and pension increases in your budget?

Questions to Consider

- If you don't allow for pay and/or pension cost increases, can you identify any areas of the budget that are vulnerable to significant cost variations?
- Do you have mechanisms to identify and deal with changes to staff costs within year?
- Have you evaluated the cost of the national living wage across your cost base, including your supply chain?

9

What inflation rates do you use for particular cost pressures?

Questions to Consider

- Do you understand how your budget takes inflation into account (e.g. which supplies & services are on fixed/variable rates)?
- Do you know which inflation rate changes would have the biggest impact on your budget?
- How do you deal with inflation variations that happen within the year?

10

What rates have you used in your budget for borrowing and lending, and what other specific rates do you factor in to your budget?

Questions to Consider

- Do you know what borrowing and lending assumptions are used when generating the budget?
- Have you identified the areas of your budget where rate assumptions need to be specified?
- Are you alert to changes in rates within year?

Questions to Consider

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What factors do you use when developing your budget?

Questions to Consider

- Do you make use of all available data to help generate your budget?
- Do you understand how your budget is impacted by changes in the factors that drive it?
- Do you revisit the capital programme to ensure its revenue impact remains affordable?

12

What is the planned change in usable reserves in 2015-16?

Questions to Consider

- Do you think the level of your usable reserves is about right?
- Do you understand the reason for any planned changes in the level of usable reserves?
- Do you know how much flexibility you have in your usable reserves?

13

Have you analysed your asset base?

Questions to Consider

- Do you have a comprehensive and current asset utilisation plan?
- Do your asset plans align with any intended changes to service delivery or internal ways of working?
- Are all options for asset use being considered?



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Report No.
CEO 1620

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Tuesday 5 April 2016**

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

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

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

Chief Officer: Chief Executive

Ward: (All Wards);

1. Reason for report

This report is submitted to inform members of the findings of the External Auditor's report on the annual certification for 2014/15.

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: £193K including £20K for the grant 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 Members are also asked to note the matters arising from the audit (pages 3 to 6 of the report); the management responses in the management action plan (Appendix A pages 7 to 9 of the report); and progress made in implementing the 2013/14 action plan (Appendix B page10 of the report).
- 3.3 Members are asked to note the reasons for the increase in the fee of £8,272 which is explained in page 2 of the report. The increase in fee is supported by Revenues and Benefit Management.

4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

The audit fee for this certification work is £28,502 and includes the increase of £8,272 and is expected to be paid to the outgoing External Auditor in 2015/16.

6. LEGAL IMPLICATIONS

There is a legal requirement to externally audit the accounts and report back to the Public Sector Appointments Ltd.

7. PERSONNEL IMPLICATIONS

None

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

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Annual Certification Report 2014/15 London Borough of Bromley

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

March 2016



The Members of the Audit Sub-Committee

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

04 March 2016

Our Reference: LBB ACR 2014/15

Ladies and Gentleman

Annual Certification Report (2014/15)

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 Housing Benefit certification work we have undertaken at the London Borough of Bromley (the Authority) for the financial year ended 31 March 2015.

Our work has been undertaken in accordance with our appointment by Public Sector Appointments Ltd (PSAA) as external auditor. The PSAA is the replacement body of the Audit Commission as at 1 April 2015 and from this date only the Housing Benefit Subsidy claim was subject to certification under this new arrangement.

Independent reporting on any other grant claim or return, fell outside of the PSAA arrangement and as such is not included within this report.

We ask the Audit Sub-Committee to consider:

- the results of Housing Benefit certification work;
- the adequacy of the proposed management action plan for 2014/15 set out in Appendix A; and
- the adequacy of progress made by the Authority in implementing the prior year action plan in Appendix B.

Yours faithfully,

PricewaterhouseCoopers LLP

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Appendix B – Management action plan: prior year issues (2013/14) – progress made	10
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Results of certification work

BEN01 Housing Benefit Subsidy Claim for year ended 31 March 2015

a) Introduction

Local authorities responsible for administering housing benefit (HB) for tenants of a local authority and rent allowances for private tenants, claim subsidy from the Department for Work and Pensions (DWP) in accordance with section 140 of the Social Security Administration Act 1992 and the Income-related Benefits (Subsidy to Authorities) Order 1998, SI 562 as amended. 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. The final claim form (MPF720A) reflects the Authorities annual position for subsidy owed to / from DWP. DWP use the results of auditor certification on this claim form as part of their determination in the annual settlement or claw back with a local authority.

Public Sector Audit Appointments Ltd (previously known as the Audit Commisison) require that all matters arising are either amended for (where appropriate) or reported within a qualification letter which follows a prescribed format. The certification approach which is to be applied by auditors (acting as agent to PSAA) is defined by the PSAA and they have agreed guidance with the DWP.

The Authority claim required two amendments to the original claim form as submitted to the DWP in April 2015 and nine separate qualification letter matters. The most important of these matters are summarised in part d) below.

b) Summary information

CI Reference	Scheme Title	Form	Original Value	Final Value	Amendment	Qualification
BEN01	Housing Benefit Subsidy	MPF720A	£127,141,736	£127,141,737	Yes	Yes

The difference between the original and final values of the above claim arose as part of the work performed in agreeing the final claim to the Authority's Academy subsidy reports, with the claim originally being incorrectly understated by £1 due to rounding.

c) Fee

Claim/Return	2014/15 Indicative Fee*	2014/15 Variation**	2014/15 Proposed Final Fee**	2013/14 Billed Fee	Comment
	£	£	£	£	
BEN01 Housing Benefit Subsidy	20,230	8,272	28,502	14,520	<p>The 2014/15 indicative fee follows the scale fees as determined by the PSAA, which we communicated to the Audit Sub-Committee in our 2014/15 audit plan in March 2015.</p> <p>Subsequently, we have proposed a fee variation (which is subject to PSAA approval). We have set out the reasons for the fee variation in the text below this table.</p>

* Indicative fees may subsequently be updated for PSAA approved variations; for example where there was a change in the level of work required.

** Fee variations which are pending PSAA approval.

The fee reflects the Authority's current performance and arrangements for Housing Benefit certification. The reasons for the variation are given below where additional work was required. For each, we set out the proposed figure for the additional costs incurred.

- 2013/14 Supplementary letter (additional costs incurred £5,298) – we assisted in responding to the supplementary letter from the DWP to the Authority regarding the 2013/14 Qualified Final Subsidy Claim. This was a complex matter which we discussed extensively to find the right solution for the Authority. Further detail can be found in Appendix B.
- 2014/15 Extension testing (additional costs incurred £2,974) – issues were noted out of the initial sampling that we performed. As a result, extension testing was required over six areas. While this testing was undertaken by the Authority, we were required to review the work performed which required a high input of senior time. To compare, we performed only two sets of extension testing in the prior year. We have set out recommendations over the issues noted in 2014/15 in Appendix A

Considering the points noted during our work could also affect the 2015/16 return, the Authority can maintain and continue to improve its performance on Housing Benefits by:

- ensuring written guidance or training is provided to the relevant officers to learn from the points noted; and
- ensuring its officers continue to receive training on changes made to the required guidance.

d) Summary of matters arising

The most important matters we identified through our Housing Benefit claim certification work are summarised below; further details can be found in Appendix A.

Our testing identified a number of errors in relation to the Authority's compliance with Housing and Benefit regulations. In two cases it was possible to quantify these errors and make appropriate amendments to the claim form.

However, we also reported a number of matters to DWP in a qualification letter where no amendment could be agreed which would be representative of the whole population.

In summary, the significant matters reported to the DWP related to:

- *Non-HRA Rent Rebates: Miscalculating a claimant's average weekly earned income - underpayments*

Testing of the initial sample identified 1 case (total value £7,949.79) where the Authority had underpaid benefit (£0.04) as a result of miscalculating the claimant's average weekly earned income.

As there is no eligibility to subsidy for benefit which has not been paid, the one underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

However, because errors miscalculating the claimant's average weekly earned income could and has resulted in overpayments (see Issue 2b) an additional random sample of 40 cases from the subpopulation of Non-HRA cases with earned income applied (£1,652,657) was tested. Such errors have been identified and are further considered under Issue 2b) below.

Similar findings have not been included in our qualification letter in previous years.

- *Non-HRA Rent Rebates: Miscalculating a claimant's average weekly earned income - overpayments*

Testing of the initial sample identified 1 case (total value £7,949.79) where the Authority had overpaid benefit (£121.20) as a result of miscalculating the claimant's weekly earned income. The effect of this error is to overstate Cell 012 (£97.66) and Cell 013 (£23.54) with a corresponding understatement of Cell 026; there is no effect on Cell 011.

Given the nature of the population and the errors found, an additional random sample of 40 cases from the subpopulation of Non-HRA cases with earned income applied (£1,652,657) was tested.

Testing of an additional sample identified 2 further cases (total value £2,794.63) where the Authority had overpaid benefit (£231.73) as a result of miscalculating the claimant's weekly earned income. The effect of these errors is to overstate Cell 012 with a corresponding understatement of Cell 026; there is no effect on Cell 011. It also identified 3 further cases (total value £20,517.31) where the Authority had overpaid benefit (£83.95) as a result of miscalculating the claimant's weekly

earned income. The effect of these errors is to overstate Cell 014 with a corresponding understatement of Cell 026; there is no effect on Cell 011.

Similar findings have not been included in qualification letters in previous years.

- *Non-HRA Rent Rebates: Misclassification of expenditure due to incorrect application of the subsidy cap rules*

Testing of the initial sample identified 1 case (total value £12,375.14) where subsidy cap rules were incorrectly applied and Cell 012 is therefore understated (£4,361.56) and Cell 013 (Expenditure above the one bedroom self-contained LHA rate) is correspondingly overstated; there is no effect on Cell 094.

Testing of an additional random sample of 40 cases from the population of cases that are in Cell 012 (£988,934) identified 1 further case (total value £5,688.46) where the subsidy cap rules have been incorrectly applied. Consequently Cell 012 is overstated (£60.38) and Cell 013 is correspondingly understated; there is no effect on Cell 094.

Similar findings have not been included in our qualification letters in previous years.

- *Non-HRA Rent Rebates: Misclassification of expenditure due to incorrect application of the subsidy cap rules*

Testing of the initial sample identified 1 case (total value £12,327.11) where subsidy cap rules were incorrectly applied and Cell 014 is therefore overstated (£0.27) and Cell 015 (Expenditure above the lower of 90% of the appropriate LHA rate for the property plus the management costs element Expenditure above the one bedroom self-contained LHA rate) is correspondingly overstated; there is no effect on Cell 094.

Testing of an additional random sample of 40 cases from the population of cases that are in Cell 014 (£4,891,883) identified no further cases where the subsidy cap rules have been incorrectly applied.

Similar findings have not been included in our qualification letters in previous years.

- *Non-HRA Rent Rebates: Misclassification of overpayments as technical rather than as eligible*

In the submitted claim form dated 30 April 2015, the Authority manually adjusted the claim form to move all Non-HRA eligible overpayments to the relevant technical overpayments cells (current year and prior year). This resulted in the form being unfairly stated because not all eligible overpayments may in fact be technical.

Testing of the current year random initial sample of 20 cases identified 3 cases (error value £4,030.88) where there was a period overpayment due to claimant error. This has been incorrectly classified as a technical overpayment as it has not arose due to the rent liability ceasing or reducing. The effect of these errors is to overstate Cell 027 with a corresponding understatement of Cell 028; there is no effect on Cell 011; and 1 case (error value £5,887.48) where there was a period of overpayment due to the Authority double paying the claim. This has been incorrectly classified as a

technical overpayment as it is an error made by the Authority. The effect of this error is to overstate Cell 027 with a corresponding understatement of Cell 026; there is no effect on Cell 011.

Given the nature of the population and the errors found, an additional random sample of 40 technical overpayment cases was selected for testing from Cell 027 relating to the subpopulation of technical overpayments that had been manually reclassified from the eligible overpayment cell (£176,150).

The additional sample did not include Cell 032 prior year technical overpayments that have been manually reclassified as no errors were noted in relation to this through our testing of the initial sample of 20 cases.

Testing of the additional sample identified 21 cases (error value £10,313.03) where a period of technical overpayment was incorrectly classified due to claimant error. Consequently, Cell 027 is overstated and Cell 028 is correspondingly understated; there is no effect on Cell 011; and 1 case (error value £11,763.61) where a period of technical overpayment was incorrectly classified due to the Authority incorrectly granting benefit to a claimant who did not have right to reside in the UK. The effect of this error is to overstate Cell 027 with corresponding understatement of Cell 026; there is no effect on Cell 11.

Similar findings have been included in qualification letter in previous one year.

- *Rent Allowances – Incorrectly applying old LHA rates*

Testing of the initial sample identified 1 case (value £722.07) where benefit had been underpaid (£7.20) as a result of the Authority incorrectly applying an old LHA rate to the claim.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

However, because errors in applying the incorrect LHA rate could result in overpayments an additional random sample of 40 cases from the population of cases within Cell 103 (£35,511,879) was tested. No overpayments and 1 further underpayment (£7.68) were identified. As there is no eligibility to subsidy for benefit which has not been paid, the further underpayment identified has not, therefore, been classified as an error for subsidy purposes.

Similar findings have not been included in our qualification letter in previous years.

- *Rent Allowances – Incorrectly applying a non-dependent deduction during the period*

Testing of the initial sample identified 1 case (value £889.01) where the Authority had overpaid benefit (£13.60) as a result of incorrectly applying a non-dependent deduction during the period. The effect of this error is to overstate Cell 102 with a corresponding understatement of Cell 113; there is no effect on Cell 094.

Given the nature of the population and the errors found, an additional random sample of 40 cases was selected for testing from the subpopulation of cases with non-dependent deductions within Cell 102 (£5,968,092).

Testing of an additional sample identified no further overpayments; and 4 cases (value £19,998.75) where benefit had been underpaid (£1,528.25) as a result of the Authority applying non-dependent deductions incorrectly.

Similar findings have not been included in our qualification letter in previous years.

- *Other Matter*

The Authority benefits system (Academy) reports for Cell 055 contains £287,696 for 51 cases for which the Authority reclassifies the total expenditure to Cell 094 (Rent Allowances: Total Expenditure) upon preparation of the claim form and the detailed entries to the corresponding detailed rent allowances cells.

The Authority no longer has a HRA and all stock was transferred in 1992.

In order to be classified as qualifying rent allowances expenditure, the landlord must be a private landlord, a housing association, or a registered provider of social housing. Although none of these cases were subject to testing as part of our initial random sample, the Authority has informed us that for these cases, they are the landlord, and therefore, the expenditure in relation to these cases is incorrectly classified as rent allowances and may result in overpaid benefit where the cap rules have not been applied.

The 51 cases relate to general fund caravan sites and learning disability cases under a supported accommodation scheme. The Authority advises that none of the reclassified cases relate to homeless claims.

Therefore, Cell 094 is overstated as expenditure which should be classified as Non-HRA is misclassified within Cell 094 and associated detail cells.

The Authority has agreed with our finding. The Authority has confirmed that for the year ending 31 March 2016 the cases will be disclosed within the Non-HRA section of the claim form. Given that the cases are not homeless claims, the Authority will recognise the expenditure in relation to these type of cases within Cell 023 as Non-HRA rent rebate expenditure not otherwise separately identified. The Authority has confirmed that they will undertake remedial action to ensure that the cases are set up to reflect this classification within Academy.

The extended testing following our initial testing of benefit cases was performed by the Authority. We then re-performed case fails as well as a sample of case passes. We are pleased to report that this testing was of good quality. No issues arose from our reperformance of an element of this work.

The potential gain of subsidy to the Authority as a result of our findings is an estimated net impact of £138,450. It should be noted that at the time of this report, we have not had sight of the final settlement details from DWP.

e) Prior year matters

We have reviewed the progress made by the Authority in implementing the certification action plan for 2013/14; details can be found in Appendix B.

Appendix A – Management action plan: current year issues (2014/15)

BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2015)

Issue	Recommendation	Management response	Responsibility (implementation date)
<p>At claim form level, an in-year reconciliation difference between Cells 094 and 130 of £700 was identified.</p> <p>This issue arose due to incorrect application of a manual adjustment and although this was rectified as part of the agreed amendments, the matter was reported as we are required to report on the original claim form.</p>	<p>We recommend that the Authority continues to prepare the claim in line with guidance and ensures that the in-year reconciliation cells match the headline cells so as to confirm that all expenditure is appropriately reflected within both the headline cell and relevant detailed cells.</p>	<p>The Authority has linked claim quality checking and ongoing training programmes, designed to both identify and minimise incidence of error. These programmes will continue.</p>	<p>Jayne Carpenter (Ongoing)</p>
<p>Testing of the initial sample of Non-HRA Rent Rebates identified two errors arising due to the Authority miscalculating the claimant's average weekly earned income.</p> <p>One case was underpaid (£0.04), and one case was overpaid (£121.20).</p> <p>Further testing of 40 cases identified five further cases where the Authority had overpaid benefit (£315.68).</p>	<p>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 has linked claim quality checking and ongoing training programmes, designed to both identify and minimise incidence of error. These programmes will continue.</p>	<p>Jayne Carpenter (Ongoing)</p>
<p>Testing of the initial sample of Non-HRA Rent Rebates identified one case where expenditure was misclassified (£4,361.56) due to incorrect application of the subsidy cap rules in relation to boarding and lodging accommodation.</p> <p>Further testing of 40 cases identified one further boarding and lodging case where expenditure was misclassified (£60.38) due to incorrect application of the subsidy cap rules.</p>	<p>The incorrect application of the subsidy rules could result in the Authority under or over claiming subsidy.</p> <p>Therefore, we recommend that the Authority continues to frequently review cases with expenditure split above and below the cap in order to ensure the level of subsidy claimed is accurate.</p>	<p>The Authority will continue to prepare the claim in line with guidance, and ensure that any differences are resolved.</p>	<p>Jayne Carpenter (Ongoing)</p>

Issue	Recommendation	Management response	Responsibility (implementation date)
<p>Testing of the initial sample of Non-HRA Rent Rebates identified one case where expenditure was misclassified (£0.27) due to incorrect application of the subsidy cap rules in relation to self-contained licensed accommodation.</p> <p>Further testing of 40 cases identified no further errors.</p>	<p>The incorrect application of the subsidy rules could result in the Authority under or over claiming subsidy.</p> <p>Therefore, we recommend that the Authority continues to frequently review cases with expenditure split above and below the cap in order to ensure the level of subsidy claimed is accurate.</p>	<p>The Authority will continue to prepare the claim in line with guidance, and ensure that any differences are resolved.</p>	<p>Jayne Carpenter (Ongoing)</p>
<p>For the 2014/15 claim form, management took the action to present all overpayments classified as eligible on Academy within the technical overpayment cell for Non-HRA Rent Rebates.</p> <p>Testing of the initial sample of Non-HRA Rent Rebates identified that for four such cases where a period of overpayment was reclassified as technical (£9,918.36) the final classification was incorrect.</p> <p>Further testing of 40 cases identified 22 further errors (£22,076.64) where the period of overpayment was incorrectly classified as technical.</p>	<p>The Authority does not receive subsidy for technical overpayments and as such incorrect classification can reduce the total subsidy claimed by the Authority.</p> <p>We recommend that the Authority retrospectively review overpayment classifications in order to ensure these are correctly reflected within the final claim form.</p>	<p>The Authority will continue to prepare the claim in line with guidance, and ensure that any differences are resolved.</p>	<p>Jayne Carpenter (Ongoing)</p>
<p>Testing of the initial sample of Rent Allowances identified one case where benefit had been underpaid (£7.20) as a result of the use of an incorrect Local Housing Authority (LHA) rate.</p> <p>Further testing of 40 cases identified no overpayments and one further underpayment (£7.68).</p>	<p>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 has linked claim quality checking and ongoing training programmes, designed to both identify and minimise incidence of error. These programmes will continue.</p>	<p>Jayne Carpenter (Ongoing)</p>
<p>Testing of the initial sample of Rent Allowances identified one case where the Authority had overpaid benefit (£13.60) as a result of incorrectly applying a non-dependent deduction during the period.</p> <p>Further testing of 40 cases identified no further overpayments and four underpayments (£1,528.25).</p>			

Issue	Recommendation	Management response	Responsibility (implementation date)
<p>Testing of the final claim to subsidy reports produced from Academy identified 51 cases (£287,696) for which the Authority incorrectly classifies the total expenditure to Rent Allowances.</p> <p>The cases cannot be Rent Allowances as in order to qualify as Rent Allowances expenditure the landlord must be a private landlord, a housing association, or a registered provider of social housing. However it has been confirmed that for these cases the Authority is the landlord and therefore these cases should be Non-HRA Rent Rebates.</p>	<p>We recommend that the Authority undertakes a review of the setup of these cases on the Academy system in order to ensure that from 2015/16 onwards their expenditure is appropriately reflected within Non-HRA Rent Rebates.</p>	<p>The Authority will undertake a review of the setup of these cases on the Academy system in order to ensure that from 2015/16 onwards their expenditure is appropriately reflected within Non-HRA Rent Rebates.</p>	<p>Jayne Carpenter (Ongoing)</p>

Appendix B – Management action plan: prior year issues (2013/14) – progress made

BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2014)

Issue	Prior Year Recommendation	2013/14 Management Response	Recommendation Status 2014/15
<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 at the time as the Authority was 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) subsequently wrote to the Authority setting out their agreement with the finding in a supplementary letter. The DWP suggested the Authority performed further testing or alternatively accept a claw back in subsidy.</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.</p> <p>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>Full detail on the work performed to resolve the DWP's supplementary letter is set out below.</p>

DWP Supplementary Letter

The DWP sent a letter dated 5 February 2015 to the Authority regarding the 2013/14 Qualified Final Subsidy Claim.

The letter requested that the Authority do further work to show that the affected cells were fairly stated or to quantify, via an extrapolation, the amount of misstated expenditure.

Having discussed the matter extensively with the Authority, it was agreed additional work would be required. We prepared and provided a suite of instructions for the additional testing that needed to be performed and how it was to be documented.

On completion, the additional work was passed to us for review. We considered the results and re-performed a sample of the testing within the workbook.

We responded to the DWP's supplementary letter on 30 September 2015. We set out the results of the additional work performed, determining its effects on the original qualification. The issue is now concluded.

Appendix C – Glossary

Scope of Work

Each year the Department for Work and Pensions (DWP) requests certification by an appropriately qualified auditor, of the Housing Benefit subsidy claim as submitted to them by local authorities each April. Certification arrangements are made by the PSAA (transitional body for the Audit Commission from 1 April 2015) under Section 28 of the Audit Commission Act 1998 and allows for the DWP to obtain assurance about a local authority's entitlement to Housing Benefit subsidy in respect of their administering of housing benefit (HB) for tenants of a local authority and rent allowances for private tenants.

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 HBCOUNT Modules and BENO1 Certification Instruction (CI) issued to us by the PSAA; these are designed to provide assurance, for example, that the Authority claim is fairly stated and in accordance with specified terms and conditions.

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

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 PSAA's Code of Audit Practice do not apply to certification work.

Statement of Responsibilities

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

PSAA Definitions for Certification work

Abbreviations used in certification work are:-

'appointed auditor' is the auditor appointed by the PSAA (previously known as the Audit Commission) under section 3 of the Audit Commission Act 1998 to audit a local authority's statement of 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 PSAA 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;

‘HBCOUNT Modules’ are written instructions and a set of mandated tools from the Commission to appointed auditors on the certification of the Housing Benefit 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;

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

‘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 PSAA 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.

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