

Notice of Meeting

AUDIT AND STANDARDS COMMITTEE

Monday, 22 July 2024 - 7:00 pm
Council Chamber, Town Hall, Barking

Members: Cllr Princess Bright (Chair); Cllr Mohammed Khan (Deputy Chair); Cllr Dorothy Akwaboah, Cllr Josie Channer, Cllr Rocky Gill, Cllr Adegboyega Oluwole, Cllr Mukhtar Yusuf and Cllr Sabbir Zamee.

Independent Member (for audit matters only): Stephen Warren

By Invitation: Steve Blandon and Michael Asare Bediako (BDO), Paul Dossett (Grant Thornton)

Date of publication: 12 July 2024

Fiona Taylor
Chief Executive

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Please note that this meeting will be webcast via the Council's website. Members of the public wishing to attend the meeting in person can sit in the public gallery on the second floor of the Town Hall, which is not covered by the webcast cameras. To view the webcast online, click [here](#) and select the relevant meeting (the weblink will be available at least 24-hours before the meeting).

AGENDA

- 1. Apologies for Absence**
- 2. Declarations of Interest**
- 3. Minutes - To confirm as correct the minutes of the meetings held on 26 March 2024 (Pages 3 - 7)**
- 4. Update from BDO on the audit of the Council Statement of Accounts 2019-20 including the additional fee and the publication of the 2020-21, 2021-22 & 2022-23 Statement of Accounts (Pages 9 - 11)**
- 5. Publication of the 2023-24 Statement of Accounts and Grant Thornton audit progress report and sector updates (Pages 13 - 46)**

6. **Internal Audit Annual Report 2023/24 (Pages 47 - 65)**
7. **Counter Fraud Annual Report 2023/24 (Pages 67 - 73)**
8. **Work Programme 2024/25 (Pages 75 - 76)**
9. **Any other public items which the Chair decides are urgent**
10. **To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted**

Private Business

The public and press have a legal right to attend Council meetings such as the Audit and Standards Committee, except where business is confidential or certain other sensitive information is to be discussed. The list below shows why items are in the private part of the agenda, with reference to the relevant legislation (the relevant paragraph of Part 1 of Schedule 12A of the Local Government Act 1972 as amended). ***There are no such items at the time of preparing this agenda.***

11. **Any other confidential or exempt items which the Chair decides are urgent**

Our Vision for Barking and Dagenham

**ONE BOROUGH; ONE COMMUNITY;
NO-ONE LEFT BEHIND**

Our Priorities

- Residents are supported during the current Cost-of-Living Crisis;
- Residents are safe, protected, and supported at their most vulnerable;
- Residents live healthier, happier, independent lives for longer;
- Residents prosper from good education, skills development, and secure employment;
- Residents benefit from inclusive growth and regeneration;
- Residents live in, and play their part in creating, safer, cleaner, and greener neighbourhoods;
- Residents live in good housing and avoid becoming homeless.

To support the delivery of these priorities, the Council will:

- Work in partnership;
- Engage and facilitate co-production;
- Be evidence-led and data driven;
- Focus on prevention and early intervention;
- Provide value for money;
- Be strengths-based;
- Strengthen risk management and compliance;
- Adopt a “Health in all policies” approach.

The Council has also established the following three objectives that will underpin its approach to equality, diversity, equity and inclusion:

- Addressing structural inequality: activity aimed at addressing inequalities related to the wider determinants of health and wellbeing, including unemployment, debt, and safety;
- Providing leadership in the community: activity related to community leadership, including faith, cohesion and integration; building awareness within the community throughout programme of equalities events;
- Fair and transparent services: activity aimed at addressing workforce issues related to leadership, recruitment, retention, and staff experience; organisational policies and processes including use of Equality Impact Assessments, commissioning practices and approach to social value.

MINUTES OF AUDIT AND STANDARDS COMMITTEE

Tuesday, 26 March 2024
(7:00 - 8:20 pm)

Present: Cllr Princess Bright (Chair), Cllr Mohammed Khan (Deputy Chair), Cllr Dorothy Akwaboah, Cllr Josie Channer and Cllr Rocky Gill and Stephen Warren.

Apologies: Cllr Adegboyega Oluwole and Cllr Muazzam Sandhu.

27. Declarations of Interest

There were no declarations of interest.

28. Minutes (30 January 2024)

The minutes of the meeting held on 30 January 2024 were confirmed as correct.

29. Grant Thornton Indicative Audit Plan, Sector Update & Informing the Audit Risk Assessment

Yinka Ehinfun, Interim Chief Accountant presented a covering report attaching as appendices Grant Thornton's proposed approach for delivering their responsibilities as the Council's appointed external Auditor for the 2023/24 financial year (Appendix A), an up-to-date summary of emerging national issues and developments within the sector (Appendix B), and details of the Council's management responses to key questions (Appendix C) as part of GT's risk assessment procedures to obtain an understanding of management processes and the Council's oversight of general enquiries of management, fraud, laws & regulations, related parties, going concern, and accounting estimates.

Paul Dossett, GT Key Audit Partner, explained that they had prepared their workplan as presented in the context of not finalizing all of the planning work and so it could change, although he did not envisage any major changes. He highlighted the significant risk areas which were standard to all audits, seen as the risk of management override of controls and the potential for materially misstating the valuation of Council assets, investment properties and net pension fund liabilities. These would be assessed against the most recent set of audited accounts, those being the 2019/20 semi completed set. The Group Accounts would also be assessed taking into account the consolidation of all the Council's significant subsidiaries as listed.

Finally in terms of timetabling, planning visits were noted as taking place between February and March with a final visit expected in July 2024, subject to the 2023/24 draft financial statements being produced by the Council.

In response to the presentation a number of questions and comments arose as follows:

The presentation referenced the significant risk areas including the valuation of Council assets in respect of which GT's views were sought as to whether the

Council had this right. It was noted that GT were intending to engage an expert valuer to assess the valuations prepared by the Council's valuers and for which the auditor expert fees would cover. This piece of work was required so as to be compliant with accounting and auditing standards. However, this was not viewed as high risk in relation to either the General Fund or the HRA, as valuations would not have any material impact on service provision. There would of course be issues where assets were disposed of, and that was something all Councils would be expected to reflect on as there would be a risk to the public purse if the valuations were not right. From GT's perspective they would be focusing on whether the numbers in the Council's Accounts were right. What was important would be the valuation of investment properties as the Council would be looking for these to produce a year-on-year yield as well as maintaining their value for the long term.

Members were interested as to how prepared were the officers to meet the requirements/deadlines set by GT for the 2023/24 Accounts audit. GT had been liaising closely with Council officers in the Finance team during the planning stage of the audit. Monthly meetings were scheduled in calendars to keep abreast of progress with the Accounts for 2023/24 to ensure they were on track ready for the commencement of the main audit in July 2024. One of the key areas that officers were working on was closing down the 2022/23 financial statements including the Group Accounts. In respect to the latter, GT had identified that a number of the subsidiary companies were up to date with their audited accounts, and consequently at this stage they were not unduly concerned that the Group Accounts would delay the overall audit timetable.

Reference was made to the value for money arrangements based on the guidance issued by the National Audit Office and specifically the three key areas the Code identifies that auditors are expected to consider namely financial sustainability, governance and improving economy, efficiency, and effectiveness. To that end GT updated the Committee with their findings to date, flagging up the risks they had identified as set out in Appendix A.

Michael Bate, the newly appointed interim Deputy Section 151 Officer reflected on his own observations as to the progress with the 2023/24 audit. He confirmed that following problems identified with the earlier audits additional resources had been allocated to the Finance Team, and that officers were working tirelessly to ensure that the deadlines set by GT were met and delivered accordingly to the reported timetable. This view was echoed by the Interim Chief Accountant who added that the team were also working hard to conclude the 2020/21 and 2021/22 audits so they could focus on the 2023/24 audit.

Moving on to GT's audit risk assessment set out in Appendix C, and specifically their general enquiries of management, the Chair sought and received clarification from the Interim Chief Accountant as to officer response to the question around awareness of any circumstances that would lead to impairment of non-current assets. The officer also confirmed to the Chair that a separate audit risk assessment would be conducted by GT in respect of the Council Pension Fund Accounts.

The Committee **noted** the report.

30. BDO Audit Progress and Sector update -Covering report of Section 151 Officer

The Interim Deputy Section 151 Officer presented a covering report summarising BDO's progress report (Appendix A) in relation to their audit of the Council's Statement of Accounts for 2019/20 including an update on the timetable to complete the audit which was broadly in line with that last reported in January 2024. BDO's key outstanding tasks related to their internal review process, and in that context, it was noted that there were no matters outstanding from the Council's perspective.

BDO have proposed to issue the annual report and commentary on VFM for the 2020/21, 2021/22 and 2022/23 Statement of Accounts by September 2024. This will be subject to the outcomes of consultations on changes to the Accounts and Audit Regulations 2015 to introduce the backstop arrangements, and the National Audit Office Code of Audit Practice to support auditors to meet the backstop date and promote more timely reporting of their work on value for money arrangements.

Finally in respect of the breakdown of the 2019/20 additional fees, despite assurances provided at the last meeting BDO in referencing the fee in their report, had still not provided an indicative figure as to the final fee.

Michael Asare Bediako, BDO confirmed that they had no concerns as to meeting the deadline reported at the last meeting, and therefore they remained on track to complete the 2019/20 Accounts by the end of August 2024. In respect of the additional fees for the said year he apologized for omitting in error from the published report, the indicative figure for the additional fee, which he verbally reported as £233k. He qualified that this was not the final fee as there was still more work to be done, and it was necessary to provide management with a detailed breakdown of how the final fee breaks down.

Having been challenged as to when the Council could expect the final additional fee, he stated that he expected Steve Blandon, the senior Partner at BDO now leading the audit, to be in a position to present it at the next meeting in June.

The Chair expressed her disappointment that Mr Blandon was not present this evening as she wanted to challenge him on a number of issues including when he anticipated completing the partner review and whether in the review, he had identified anything requiring more work to be done from BDO's end. As far as Mr Asare Bediako was aware from the review work he had not raised any issues or concerns, albeit there were a few minor issues that were being concluded which officers were aware of. All indications were that he would complete the review work by June, allowing sufficient time to prepare the final report and meet the August deadline to conclude the audit.

The reported additional fee was a substantial amount and BDO were asked as to whether it was their standard practice not to finalise their costs and provide a breakdown so late into the audit, especially seeing the Council needed to budget for such large sums. The Committee having pushed for the information over a number of meetings put on record their disappointment and frustration that it was

still not forthcoming. BDO acknowledged the points made and hoped to be in a position as early as tomorrow to provide the breakdown of the costs incurred to date, added to which they should be able to realistically estimate the further costs likely to accrue barring any unforeseen eventualities.

Referencing the timetable in the Appendix which mirrored that presented at the last meeting, Members repeated comments made then, that the programme of work there did not suggest there was any real sense of urgency to complete the audit, to the extent that Members remained unconvinced that the 2019/20 Accounts would be signed off by August 2024, which was only a month before the anticipated backstop date. BDO again would not commit to completing the audit any sooner than August but were hopeful of finishing ahead of that date to give the Council the opportunity to publish the Accounts and any outstanding disclaimed opinions that BDO issue.

Turning to the current position regarding the 2018/19 additional fee, BDO confirmed that having previously presented the figure to both officers and this Committee it was now with PSAA awaiting their decision. The Chair clarified that despite the previous Section 151 Officer signing off on the additional fee, PSAA had been made aware of this Committee's concerns.

The Committee **noted** the report.

31. Internal Audit Charter Strategy Plan 2024-25

The Head of Assurance (HoA) reported that he had reviewed and updated with minor track changed amendments the Internal Audit Charter (Appendix 1), which defined the purpose, activity, and responsibility of Internal Audit activity.

The HoA then discussed the Internal Audit Strategy 2024/25 set out in Appendix 2, which detailed how the Internal Audit Service was delivered, in line with the Charter. The Strategy had been updated to reflect minor changes in working practice as a result of the recent external assessment against the Public Sector Internal Audit Standards. The service was provided by a small inhouse team supported by externally provided resources. It was proposed that the existing arrangements to co-source external support from both Mazars and PwC via appropriate framework contracts be continued into 2024/25.

The scope of the Strategy covered all LBBB activities, including those provided by external providers and legal entities. As such the Internal Audit Plan referred to below included risk-based audit activity in the Council's companies.

The Internal Audit Plan which was compiled annually prior to the commencement of each financial year and was developed in line with the Charter and Strategy. The Plan also detailed the manner in which Internal Audit resources would be used including draft audit titles and proposed audit objectives.

As part of the risk-based approach 120 of the 865 audit days within the Plan had been held back in the event that some, as yet unspecified, risk emerged during the year which required an immediate response. The Plan was set out in Appendix 3.

The Committee in recognising the crucial importance of Internal Audit questioned the size and capacity of the team to deliver what amounted to an ambitious Audit Plan, and within that context what the extent and cost of external support was. The HOA recognised that the team was not big enough to deliver the Plan in isolation, and therefore was reliant on external support. However, he made the point that it did not all come down to staff resources, as a number of the audits were of a specialist nature and consequently that specialism was not always available in house. Most London Boroughs did buy in services from Mazars and PwC, and many bought them in a greater number of days than LBBD. That said steps were being taken to build in house resilience. In the past it had proved difficult to fill the more senior posts and so by reducing vacancies to trainee auditor levels, the HOA had recruited two apprentices via the Pan London Apprenticeship Scheme that had proved very successful. Both were doing well, practically and exam wise and with the right structure in place, this would allow for career progression.

In light of the above response a question was raised as to the ability of the team to provide consultancy services, given the size of the team. The HOA stated that the majority of this work tended to be around control design. For example, when a new IT system was due to come online (a few were included as part of the proposed Plan) it was advantageous for Audit to input at the design stage rather than review it once it was developed and operating. As it was the Council's Audit Manager was a qualified IT auditor which was very valuable to the organisation.

Turning to particular parts of the proposed Plan mention was made of a number of service areas where there was limited or no assurance from previous years, highlighting in particular housing repairs and maintenance, which was an example of an area with no assurance in previous years. Taking that example the HOA stated that management advice at the time indicated that changes were due to be made to the control environment to improve matters. However rather than taking this at face value the service had been added to the Plan for review. This approach had similarly been taken with other services as listed in the Plan where there were limited or no assurances from previous years. The aim of the Plan was to enable the HOA to give an opinion at the end of the year of the overall adequacy and effectiveness of the control environment which included prior year coverage and concerns.

Given the situation with the housing repairs and management service and notwithstanding any mitigation actions taken to improve the assurance status, the Committee placed on record its concerns seeing the significant funding incurred in that area.

Other matters raised by Members and responded to by the HOA concerned the auditing of the Council's companies, the costs of engaging external audit consultancy, the approach taken in preparing the Plan, specifically aligning it to the Council's vision and key priorities, the rationale behind the proposed reviews set out in the Plan especially in areas which were already noted as being of substantial assurance, whether the number of days allocated to each review was seen as sufficient, and what was the meaning of TBC in the case of some audits dating back a number of years.

The Committee **agreed** to approve the draft Internal Audit Charter, as well as both the Strategy and Plan for 2024/25.

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AUDIT AND STANDARDS COMMITTEE**22 JULY 2024**

Title: BDO verbal update of the 2019-20 audit and the publication of the 2020-21, 2021-22 & 2022-23 Statement of Accounts	
Report of the Strategic Director of Resources	
Open Report	For Information
Wards Affected: All	Key Decision: No
Report Author: Jo Nacey, Interim Chief Accountant	Contact Details: E-mail: joanne.nacey@lbbd.gov.uk
Accountable Director: Michael Bate, Interim Director of Financial Services & Deputy S151 Officer	
Accountable Executive Team Director: Jo Moore, Interim Strategic Director, Resources and S151 Officer	
<p>Summary</p> <p>This report summarises the ongoing position regarding the outgoing external auditor's (BDO) progress in relation to their audit of the Council's Statement of Accounts for 2019/20. A report would normally be provided but BDO have advised that their position and timescale forecast is unchanged since they last reported to Committee in March 2024, and they will therefore provide a verbal update only.</p> <p>Their key outstanding tasks relate to their internal review process. It should be noted that there are still no matters outstanding from the Council's perspective. Finalisation of the audit continues to be forecast for the end of August 2024.</p> <p>They are also proposing to issue the annual report and commentary on VFM for the 2020/21, 2021/22 and 2022/23 Statement of Accounts by September 2024 subject to the outcome of the consultations of the Accounts and Audit Regulations 2015 and the National Audit Office Code of Audit Practice on the backstop arrangements, which given the recent General Election and subsequent change of Government, are currently on hold.</p>	
<p>Recommendation(s)</p> <p>The Committee is recommended to note the contents of this report.</p>	
<p>Reason(s)</p> <p>As prescribed in The Accounts and Audit (England) Regulations 2015, it is a statutory obligation for the Council's Statement of Accounts to be produced and audited, and that the Statement of Accounts and the Annual Governance Statement must be approved by a Committee of the Council.</p>	

1. Introduction and Summary

- 1.1 At the last meeting of the Committee, BDO revised their timeline for the completion of the 2019/20 audit to the end of August 2024 and the latest progress report does not propose any change to this date.
- 1.2 The detail behind the £230k additional fees incurred to date was promised at the last meeting but has still not been provided.
- 1.3 The Draft Statement of Accounts for financial years 2020-21, 2021-22 and 2022-23 have all been published and the notice of inspection for 2020-21 and 2021-22 have ended and the notice of inspection for 2022-23 will end on the 6 August 2024.
- 1.4 Based on the guidelines consulted upon in February 2024, DLUHC proposed that these accounts if published by 30 September 2024 can be finalised with external auditors giving modified opinions of the accounts.
- 1.5 This arrangement has not been confirmed and following the recent election the final decision on the implementation of backstop dates has again been delayed. When the backstop arrangements are confirmed, they will be presented to the Committee.
- 1.6 The Committee should note that the Annual Governance Statements for the outstanding years have not yet been approved at Committee due to the audit delay and “backstop position”, but the unaudited draft accounts have been published and are available on the Council website as follows:

2022/23 - [LBBB SoA 2022-23](#)

2021/22 - [LBBB SoA 2021-22](#)

2020/21 - [LBBB SoA 2020-21](#)

2. Revised Timeline

- 2.1 The timeline is as last presented to the March meeting with final sign off expected by 31 August 2024.

3. Options Appraisal

- 3.1 The audit of the Council’s Statement of Accounts follows a prescribed process and, as such, there are no other options to appraise.

4. Consultation

- 4.1 The audit of the Council’s Statement of Accounts follows a prescribed process and, as such, does not require consultation.

5. Financial Implications

Implications completed by: Jo Nacey – Interim Chief Accountant

- 5.1 The continued delay in the sign off the 2019/20 and subsequent Accounts will have an impact on the work of the incoming auditors Grant Thornton (GT). Discussions are ongoing to decide whether GT can take assurance from the opening balances, which will not have been audited by BDO to date. This may entail further work for GT and hence further expense for the Council.
- 5.2 A breakdown of the £230k additional fees is still required from BDO.

6. Legal Implications

Implications completed by: Dr Paul Feild - Principal Standards & Governance Solicitor.

- 6.1 The Local Audit and Accountability Act 2014 requires that the Council as a relevant body must have its accounts audited. The procedure is set out in the Accounts and Audit Regulations 2015 (the 'Regulations'). Regulation 9 sets out a timetable and requires certification by the Council's responsible Finance Officer of the statement and then consideration by a Council Committee to consider the statement and approve by resolution. This report is prepared in compliance with that obligation.
- 6.2 Following approval, the Council must publish no later than 30 September 2024 the Statement of Accounts, the Annual Governance Statement as approved and a narrative statement by the Council on its financial performance, and economy, efficiency and effectiveness in the use of its resources over the financial year.
- 6.3 The said Regulations 2015 require that, where an authority is not able to publish its audited Statement of Accounts by the date set out in the regulations, it is required to publish a Notice to that effect.

7. Other Implications

- 7.1 **Risk Management** - The preparation of timely, high-quality accounts is a key component of a system of good governance and accountability to our residents. The continued delays to audit completion and the lack of detail behind additional fees create risks of uncertainty for the Council.

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AUDIT AND STANDARDS COMMITTEE

22 JULY 2024

Title: Publication of the 2023-24 Statement of Accounts and GT Audit Progress report and sector updates	
Report of the Strategic Director of Resources	
Open Report	For Information
Wards Affected: All	Key Decision: No
Report Author: Jo Nacey Interim Chief Accountant	Contact Details: E-mail: joanne.nacey@lbbd.gov.uk
Accountable Director: Michael Bate, Interim Director of Financial Services & Deputy S151 Officer	
Accountable Executive Team Director: Jo Moore, Interim Strategic Director, Resources and S151 Officer	
<p>Summary</p> <p>This report presents the published 2023-24 Statement of Accounts and Grant Thornton's Audit Plan.</p> <p>The 2023-24 Statement of Accounts was published on the 5 July 2024.</p> <p>Representatives of Grant Thornton will be at the meeting to present their reports and respond to Members' questions.</p>	
<p>Recommendation(s)</p> <p>The Committee is recommended to note the contents of this report.</p>	
<p>Reason(s)</p> <p>As prescribed in The Accounts and Audit (England) Regulations 2015, it is a statutory obligation for the Council's Statement of Accounts to be produced and audited, and that the Statement of Accounts and the Annual Governance Statement must be approved by a Committee of the Council.</p>	

1. Introduction and Summary

- 1.1 The 2023-24 Statement of Accounts was published on the Council's website on the 5 July 2024.
- 1.2 The Public Inspection of the accounts began on 8 July 2024 and will conclude on 16 August 2024.

- 1.3 The Council's officers have provided the initial information requested by the external auditors, in order to kickstart the audit. This will be the first year that Grant Thornton LLP will audit the Council's accounts.
- 1.4 Members are reminded that at a later Audit and Standards Committee meeting, the audited accounts will be presented, which will incorporate any amendments agreed between the external auditor and the Council. The external auditor will attend the meeting and present their External Audit Report for the 2023-24 Statement of Accounts.
- 1.5 The Narrative Report includes the revenue and capital outturn performance of the Council for 2023-24 and provides an outlook for the future. The Council have reported a deficit of £2.6m for the 2023-24 year.
- 1.6 The Expenditure and Funding Analysis compares the outturn shown in the Narrative Report with the true economic cost of providing services valued in accordance with proper accounting practices as shown in the Comprehensive Income and Expenditure Statement (CIES). The differences between the outturn and CIES are mainly capital items and IAS19 pension costs.
- 1.7 The CIES shows the true economic cost of providing Council services.
- 1.8 The Balance Sheet sets out the financial position of the Council as at 31st March 2024. The overall reduction in net assets of £226m is mainly due to the decrease in current assets and increase in current liabilities. Further detail is contained within the Notes to the Accounts.
- 1.9 The Cash Flow statement shows how the Council generates and uses cash.
- 1.10 The Housing Revenue Account (HRA) shows the true economic cost of providing housing services.
- 1.11 The Collection Fund Statement is an agent's statement that reflects the statutory obligations of the London Borough of Barking and Dagenham, as billing authority to maintain a separate Collection Fund. It details the Council Tax and Business Rates position for the year.
- 1.12 The Group Accounts include the consolidation of the Council's single accounts with that of the Council's subsidiaries.

2. Audit Progress report and Sector Updates

- 2.1 Since the last meeting of the Audit and Standards Committee, Grant Thornton have commenced their initial audit planning in respect of both Council and Pension Fund Accounts.
- 2.2 This includes undertaking meetings with key officers and making relevant audit enquiries; reviewing the control environment for both the Council and Pension Fund; undertaking walkthroughs in areas which are likely to be deemed significant risk and understanding IT general controls. They have also held a meeting with the wider finance team to discuss audit arrangements.

- 2.3 Their work on Value for Money (VFM) is in progress. Grant Thornton have primarily reported concerns regarding the effectiveness of scrutiny and decision making, which impacts decisions across all areas of value for money; Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness. The auditors plan to undertake a more detailed review and will include results of the review in the report to the Committee in October 2024.
- 2.4 As previously updated, the Government consulted in February 2024 on a proposal to introduce a series of statutory backstops to bring the local audit system back on track. The necessary regulation to enact the backstop legislation was due to be laid before Parliament prior to summer recess in July 2024. This would have enabled the 30 September 2024 backstop to be implemented. The calling of a General on July 4th affected this timetable, and this has been put on hold. The new Government will have to decide if it wants to implement the backstop solution and if so, determine the timetable by which it happens. Grant Thornton will continue with the plan they presented to the Committee in respect of the 23/24 audit.
- 2.5 The report includes other updates on how to maximise the effectiveness of the new audit arrangements, what local government elections mean for Audit Committees, LGA improvement and Assurance Framework; the state of the Locals: who do the public think are responsible for worsening public services; new guidelines on productivity plans and a note of caution, Housing and Homelessness; the smart regeneration journey to 2030 and simpler recycling.

3. Options Appraisal

- 3.1 The audit of the Council's Statement of Accounts follows a prescribed process and, as such, there are no other options to appraise.

4. Consultation

- 4.1 The audit of the Council's Statement of Accounts follows a prescribed process and, as such, does not require consultation.

5. Financial Implications

Implications completed by: *Jo Nacey – Interim Chief Accountant*

- 5.1 As outlined in the report to Audit and Standards Committee in March, Grant Thornton have been appointed as the Council's new external auditors for a five-year period commencing with the 2023/24 audit of accounts.
- 5.2 The fees were also outlined in the report, "The audit fees for the 2023/24 are £434,860 for the Council's Audit and £75,287 for the Pension Fund Audit".
- 5.3 The audit inspection has begun, and we will continue to respond to queries from the auditors promptly and comprehensively in order to mitigate additional fees wherever possible. Should there be any additional fees, these will be reported to Committee in due course.

6. Legal Implications

Implications completed by: *Dr Paul Feild - Principal Standards & Governance Solicitor.*

- 6.1 The Local Audit and Accountability Act 2014 requires that the Council as a relevant body must have its accounts audited. The procedure is set out in the Accounts and Audit Regulations 2015 (the 'Regulations'). Regulation 9 sets out a timetable and requires certification by the Council's responsible finance officer of the statement and then consideration by a committee to consider the statement and approve by resolution. This report is prepared in compliance with that obligation.
- 6.2 Following approval, the Council must publish no later than 30 September 2024 the statement of accounts, the Annual Governance Statement as approved and a narrative statement by the Council on its financial performance, and economy, efficiency and effectiveness in the use of its resources over the financial year.
- 6.3 The said Regulations 2015 require that, where an authority is not able to publish its audited statement of accounts by the date set out in the regulations, it is required to publish a notice to that effect.

7. Other Implications

- 7.1 **Risk Management** - The preparation of timely, high-quality accounts is a key component of a system of good governance. There are no risk implications arising directly as a consequence of this report.

List of appendices:

- **Appendix A** – Grant Thornton Audit Progress Report and Sector Updates

London Borough of Barking and Dagenham

Audit progress report and sector updates

July 2024



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Audit and Standards Committee with a report on progress in delivering our responsibilities as your external auditors

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at June 2024

Financial Statements Audit

In terms of the Council's Accounts, our overarching ambition is to ensure all of our audit opinions are signed by the end of December 2024 (dependent on the outcome of the backstop legislation etc). We took our indicative Audit plan to the Audit and Standards Committee on 26 March 2024. This plan will remain indicative until the outcome of the backstop legislation and requirements auditing opening balances is finalised.

We have already commenced our initial audit planning in respect of both council and Pension fund Accounts. This Planning has included :

- Undertaking meetings with key officers and making relevant audit inquiries
- Reviewing the control environment for both council and Pension Fund, and
- Undertaking walkthroughs in areas which are likely to be deemed significant risk in our indicative audit plans which is part of the papers pack of this meeting.
- Understanding IT general controls
- We have held a meeting with the wider finance team to discuss audit arrangements and plans for the year-end audit.

At this stage of drafting this progress report, we have not received the draft financial statements from the council and have therefore not commenced the fieldwork stage of the audit.

Value for Money

Our work over value for money is in progress. We have set out our progress to date in the following pages.

Other areas

- Certification of claims and returns

We are your appointed auditors for the following audit related assurance services:

Teachers' pensions scheme– FY 2022/23, 2023/24
 Pooling of housing capital receipts – FY 2023/24
 Housing benefits subsidy – FY 2021/22, 2022/23

Our work is ongoing on these areas.

- Meetings

Since our appointment with auditors of the council we have held several meetings with the senior officers within the council. We also held introductory meetings with the members of the finance team to talk through our planned ways of working for the year ahead.

We continue to meet with senior officers at the Council on a regular basis in what is always a constructive dialogue. We recognise the significant issues that need to be addressed at the Council.

Audit Deliverables

Below are some of the audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date*	Status
<p>Audit Plan (indicative)</p> <p>We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements. We issued an indicative audit plan in March 2024. This plan will remain indicative until the outcome of the backstop legislation and the auditing requirements for opening balances is finalised.</p>	March 2024	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Audit and Standards Committee.</p>	TBC	TBC
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	TBC	TBC
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements. A draft version is appended to this report.</p>	TBC	TBC

*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period.

Audit Deliverables

Below are some of the audit related deliverables planned for 2023/24.

Audit related deliverables	Planned date*	Status
<p data-bbox="120 499 689 528">Teachers Pensions Scheme – certification</p> <p data-bbox="120 547 1525 611">This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	TBC	TBC
<p data-bbox="120 646 689 675">Teachers Pensions Scheme – certification</p> <p data-bbox="120 694 1525 758">This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	TBC	TBC
<p data-bbox="120 793 792 821">Pooling of housing capital receipts - certification</p> <p data-bbox="120 841 1525 904">This is the report we submit to the Department for Levelling Up, Housing and Communities (“DLUHC”). based upon the mandated agreed upon procedures we are required to perform.</p>	TBC	TBC

*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period.

Auditor's Annual Report progress update

London Borough Barking and Dagenham

Auditor's Annual Report progress update

July 2024



Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our progress in assessing the Council's arrangements in each of these three areas, is set out on pages 10 to 15.

Executive summary



Value for money arrangements

Background

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we consider whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. 2023/24 is the fourth year that these arrangements have been in place under the Code. Your previous external auditor is yet to issue Auditor's Annual Reports (AARs) for 2020/21 to 2022/23 inclusive. Therefore, we have progressed our work without knowledge of the outcome of the Value for Money work for prior audit periods. We will be mindful of any findings from your previous external auditor once they report and may need to revisit our interim findings as a result. Some of the points we have raised would have been beneficial to the Council if raised in earlier years.

Progress Update

Our work to assess the arrangements in place at London Borough of Barking and Dagenham (the Council) for 2023/24 started in March 2024. This update highlights at the earliest opportunity some initial areas where we consider there are potential significant weaknesses in the Council's arrangements for achieving value for money. We intend to explore these issues in more detail with officers and elected members of the Council with a view to bringing our completed Auditor's Annual Report (AAR) to the Audit and Standards Committee on 8 October 2024. As part of this further work we will also need to consider whether the overall impact of any significant weaknesses we identify is such that we consider it necessary to use additional powers available to us for example by raising a statutory recommendation. The range of options available to us are set out in Appendix B to this report.

We are concerned that although many of the systems and processes that we would expect to see are in place, these may not be fully embedded or operating effectively. In particular we have concerns regarding the effectiveness of scrutiny and decision making. We note for example that many of the reports considered by the Overview and Scrutiny Committee are for information only. There is evidence of some useful debate and questions being raised by members but there is minimal evidence of agreed recommendations or challenge being made by that Committee. Minutes also indicate that the opinion of members was that relationships between officers and Councillors needed to improve. Minutes further indicate that officers need to take greater accountability and that there is a need for officers to work in a cross organisational way to enhance service delivery. Further specific examples of our concerns are set out in the next few pages of this update. These are potential areas of significant weakness in the Council's arrangements for achieving Value for Money in 2023/24.

Weaknesses in this area of governance will necessarily impact decisions across all areas of value for money: Financial Sustainability, Governance and Improving Economy; Efficiency and Effectiveness. It is possible therefore that weakness in scrutiny and decision making may result in a finding of significant weakness in the arrangements across each area of the Code. There are also a number of areas where, at this stage, we do not believe there to be significant weaknesses in arrangements but where we have identified possible opportunities for improvement. We will continue to discuss these areas with officers to agree specific improvement recommendations which we will include in our final report. These areas of potential improvement include; Risk Management; Gifts and Hospitality; Conflicts of Interest; Performance Management and Procurement.

It is also possible that as we continue our work across all areas of our value for money assessment we identify other additional areas of significant weakness or improvement not referred to in this update report. We would note that some of the issues we have identified, would have been identified if previous value for money work under the Code of Practice been carried out.

Scrutiny and Decision Making

Overview

The Council does have a level of arrangements in place with regard to applying scrutiny to and taking of effective decisions, these are set out in the Council's Constitution and include delegation of authority and relevant committee structures including two scrutiny committees. The Council, like many in the local government sector, is facing a very difficult period in order to maintain financial sustainability. The Council has recognised this and management has taken action throughout 2023/24 with further work planned in 2024/25 and beyond. Those management actions (including restrictions on expenditure and freezing recruitment) have shown results in the short-term. Through the following examples however we have concerns that scrutiny and decision making may not have been as effective as it should have been prior to such action taking place. Further action including delivering substantial savings and/or increasing income will be required in order to deliver sustainable results. We will continue to review these concerns as we finalise our value for money work and we will look to establish how any deficiencies in these areas of governance may have contributed to the Council's current financial position.

Accuracy of Budgets and Budget Monitoring

Scrutiny of the budget setting process is provided by the Overview and Scrutiny Committee and Cabinet prior to being approved by Assembly. Monthly budget monitoring is scrutinised by Cabinet through monthly financial performance reports.

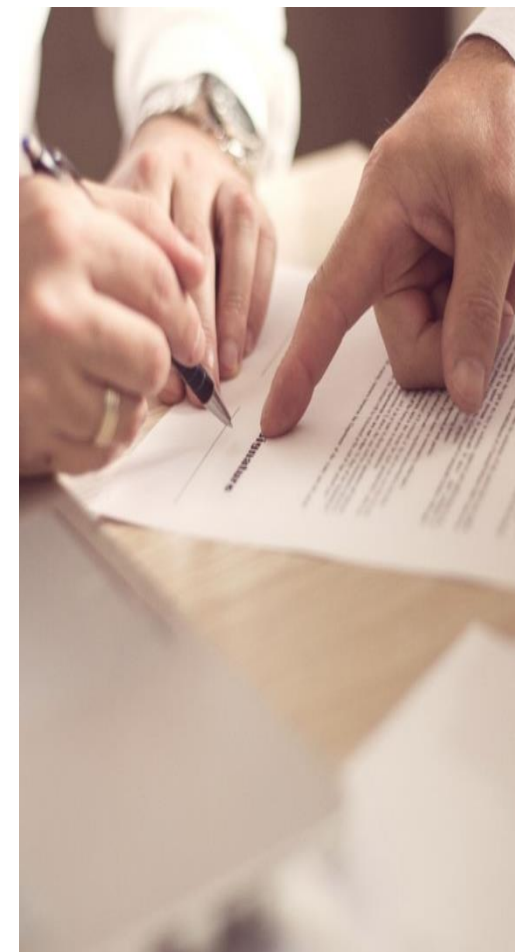
As at month four (July 2023) the forecast outturn for 2023/24 was an adverse variance of £14.6M. Actions identified in that report included individual services looking to reduce, delay or avoid expenditure. The Council recognised at that point that the level of overspend would diminish the level of reserves unsustainably. Officers continued to report significant levels of overspend to Cabinet through the monthly financial performance reports as well as regular cabinet briefings. There is however a lack of evidence of scrutiny or challenge- by cabinet regarding what actions were planned to bring expenditure back within budget. From August 2023 the new, interim s151 officer introduced a 'financial resilience program' to try to address the overspend for 2023/24. The 'financial resilience program' included limiting spend on Adult Social Care (ASC) and Childrens' Services (CS) as these were two key drivers of the overspend. Further measures included a recruitment freeze as well as limiting consultancy and agency spend. In addition regular 'star chambers' across all service areas were undertaken by the CEO, interim section 151 officer and Deputy Leader who reviewed and challenged spend with all Directors. As a result of those actions the situation has improved significantly with the latest 2023/24 outturn position in June 2024 predicting an overspend of £2.6m.

Despite these welcome changes in addressing the short-term budget pressures those actions have understandably not alleviated the significant remaining financial challenges facing the Council in future years. Officers have continually reported to members that there were insufficient 'free' reserves to cover the forecast overspend and that further action was required to bring spend in-line with budgets. The impact on the Council's Medium Term Financial Strategy (MTFS) and reserves are discussed in more detail on page 12 of this report.

Given that the outturn position for 2022/23 was also an adverse variance of £25M the significant adverse variances identified early on in each of the relevant financial years are indicative of potential weaknesses in the budget setting processes in terms of the accuracy of assumptions made with regard to both anticipated demand pressures, cost pressures and levels of income. As a further example a decision to continue with the council's policy of implementing the London living wage added an additional pressure of £5.6m which was not deliverable within the original budget.

The requirement for the new, interim s151 Officer to take action under the finance resilience program is indicative that underlying budget monitoring and management may not be as robust as they should be. We note that in April 2022, the Council implemented a new Financial System which it states impacted the information available to budget holders until November 2023, however these factors should not have impacted the 2023/24 budget setting process or budget management throughout 2023/24. Any continued impact from such known issues should have been assessed as part of the budget setting process and appropriate contingency made.

There is high staff turnover within the Finance Function with a reliance on agency staff. The current s151 officer is an interim appointment. The Council will need to ensure that it secures a longer-term solution to maintaining the necessary skills and experience in this area.



Scrutiny and Decision Making

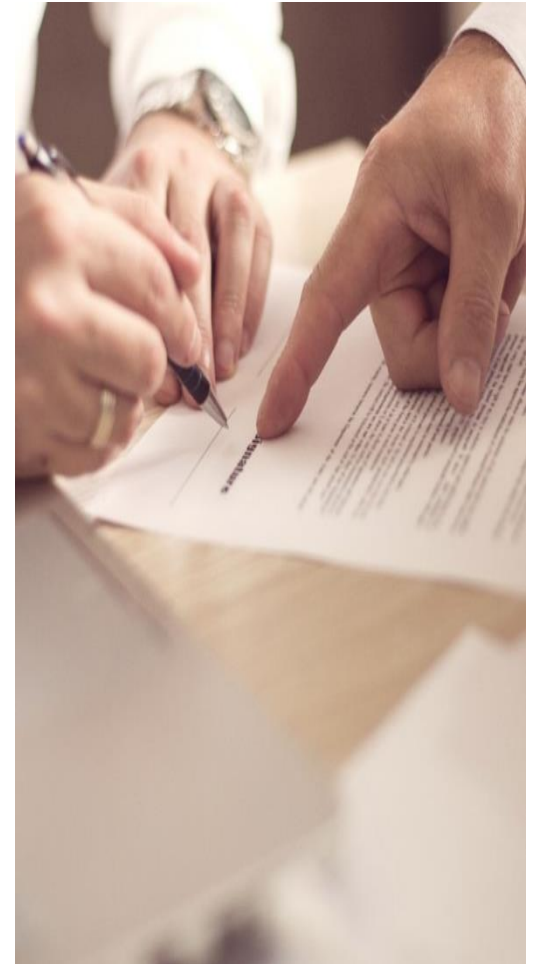
MTFS including use of reserves and planned savings

The Council has used reserves to meet the gaps between income and expenditure in 2022/23 and 2023/24. As at 31/03/2023 the council's general reserve balance was £17m with a further £16.8m held in a budget support reserve (Total £33.87m). In the Medium Term Financial Strategy (MTFS) agreed in February 2024 the planned use of the reserves would reduce those reserves balances to £12.03m and £0.25m respectively by 31 March 2025 (Total £12.28m). This was based on a predicted budget deficit for 2023/24 of £9.34m and planned use of those reserves in 2024/25 of £8.8m. Even that level of reserves balance was only made possible by the Council transferring a further £10.07m into those reserves from other earmarked reserves. Without those the transfers the General reserve and budget support reserve would effectively be extinguished by 2025. Such unsustainable use of reserves is a potential significant weakness. As stated above the revised predicted outturn position for 2023/24 is an overspend of £2.6m which eases the position slightly (by approximately £6.5m) from that anticipated at the time of the MTFS in February 2024. That MTFS had a further budget deficit of £11.7m for 2025/26 and £17.3m for 2026/27. There is therefore insufficient reserves remaining to fund the identified budget gaps from 2024/25-2026/27 and the overall position is therefore one of unsustainable growth in the budget. As a result of the 'start chambers' mentioned previously the Council identified £15m of new savings as part of the February 2024 MTFS however the above budget gaps remain. The Council has yet to agree a savings or transformation plan to fill the above budget gaps. We note that management are currently formulating such plans and it is imperative that these are agreed by members as a matter of urgency. The overall use of reserves is even higher than indicated above because the Council had budgeted to receive £10.39m dividend from one of its subsidiary companies Be First Ltd. That dividend was not distributed by Be First in 2023/24 and therefore the Council utilised a further 'Mueller' reserve created from a windfall return on a previous commercial deal in order to meet the shortfall in income. That Mueller reserve has as a result also been almost extinguished with a balance of £1.61m remaining and the Council is in the process of removing the reliance on future dividend from the MTFS. This will however add additional pressure to the Council's budget shortfall. The operation of the subsidiary companies is further discussed on page 13.

Debt Management

The Council has a Treasury Management Strategy which is approved by the Council's Assembly and reviewed three times per year by Cabinet. The council's overall debt at 31/03/2024 was estimated at £1.29bn (£1.8bn including leases and PFI agreements) this is only £50m below the operational boundary for external debt which was set at £1.85bn. The average interest rate payable on that debt is currently 2.9%. The Council states that it needs to refinance £22m of debt per year which it estimates will add approximately £0.5m to the cost of borrowing due to higher interest rates. The majority of this debt is long term borrowing through the Public Works Loan Board (PWLB) and relates to the Council's Investment and Acquisitions Strategy (IAS). The intention of the Council is that the IAS is self-financing by rental income covering the cost of borrowing. The Minimum Revenue Payment (MRP) has been set at approximately £11m p.a. throughout the life of the MTFS.

There has been underperformance on lettings and asset management through the Council's subsidiary company Reside. In 2022/23 and 2023/24 the Council was only able to cover the payment of interest on the debt because of outperformance on other investment income as a result of higher interest rates increasing the level of income received. In addition during the construction phase of projects the interest charged was capitalised as there was no rental income to cover the costs of borrowing. Any delays in projects therefore risks further increasing the level of debt.



Scrutiny and Decision Making

Debt Management (Cont'd)

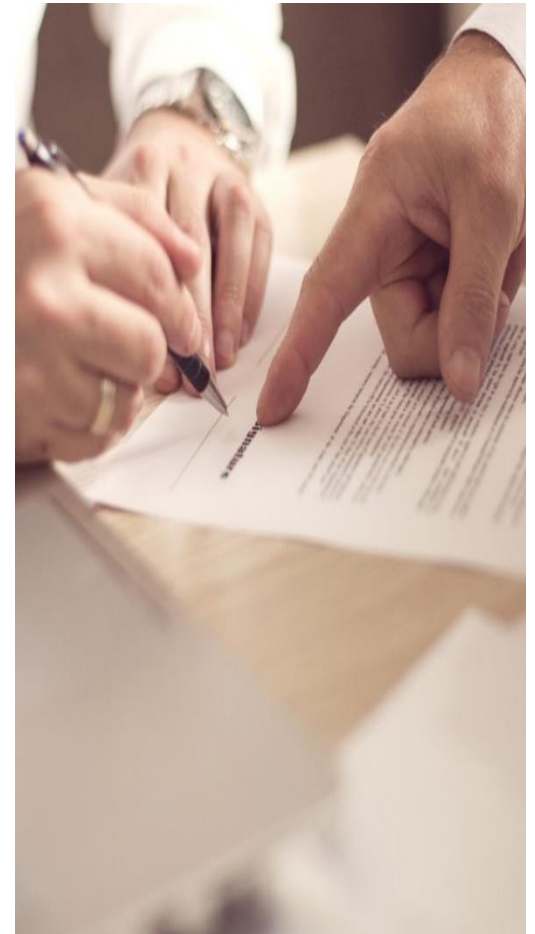
There is evidence of capital investment being postponed. In the financial monitoring report taken to Cabinet in September 2023, the capital programme was revised from an opening budget of £497m to £353m. The majority of this change related to reductions in IAS schemes due to changes in the viability of the schemes. Two major schemes were only made viable through the Council changing the scope or funding arrangements for those schemes. For example the Beam Park project was only made viable by the Council utilising a large allocation of 'Right to Buy' receipts. The Gascombe East Phase 3b project was also only made viable by increasing the volume of privately rented units and decreasing the number of social housing units as well as reducing operational costs. Switching tenures in this way could also impact the Council's MRP calculation. It is too early to assess whether the assumptions made in this respect were reasonable. The level of debt and the Council's ability to service the debt repayments is potentially unsustainable.

The level of debt and the ability of the Council to repay it depends on the success of the IAS which is managed through Be First up to the point of completion when the units pass to the management undertaken by the Reside subsidiary. The uncertainty regarding the performance of these companies does not appear to have been considered sufficiently by Members when the MTFS was reviewed in February 2024. This performance is discussed in more detail below. We note that the Council has commissioned EY to undertake a review of the IAS in 2024/25 and is in the process of reviewing the MTFS assumptions in this regard. The EY report is not yet available for our review. In addition, in terms of the HRA the significant borrowing (£1.8bn over 30 years) which has recently been identified by the Council as necessary to improve the quality of the Council's housing stock is not sustainable. We note that the Council has recently commissioned CIPFA to undertake a review of its Housing Revenue Account (HRA) business plan and investment strategy. CIPFA are due to report in summer 2024.

Subsidiary Companies

Governance and oversight of subsidiary companies is provided by a shareholder panel who oversee performance of all subsidiaries and it reports directly to Cabinet. Each year the shareholder panel provides Cabinet with an annual report on the performance of each company against business plans which are agreed by Cabinet. We have identified a number of issues which indicate potential significant weakness in the planning, performance, governance and oversight of the Council's subsidiary companies. The Council appears to have also recently recognised this and has established a Commercial Oversight Board to strengthen company oversight.

The Council has also recently recognised that the current arrangements may not be delivering best value and has therefore commissioned EY to advise on the future structure and business models required going forward, particularly with regard to Be First and Barking and Dagenham Trading Partnership (BDTP). Be First manages development schemes that are under construction or in the development pipeline approved by Cabinet as part of the Council's Investment and Acquisitions Strategy (IAS). The performance of Be First is therefore directly linked to the Council's ability to repay the level of debt outlined on page 12. BDTP manages the repairs and maintenance of the Council's housing stock through its subsidiary Barking and Dagenham Management Services (BDMS). Its performance is therefore directly linked to the operation of the Council's Housing Revenue Account (HRA). The financial sustainability of the HRA is another area of potential significant weakness which is discussed in more detail on page 14.



Scrutiny and Decision Making

Subsidiary Companies (Cont'd)

The Council has undertaken an assessment of BDMS' current repair performance using external consultancy and this indicates that the current arrangement may not be delivering the value for money anticipated by the Council. The cost of this service was externally benchmarked by Ark in December 2022 which assessed the cost to the Council as £2799 per unit per annum against a sector benchmark of £2500 (12% higher). Costs have further increased since that assessment took place. Quality of repair work has also been assessed as poor and this has led to numerous complaints from residents. The impact of those poor repairs is discussed in more detail below under the Housing Revenue Account. The Council has stated that it is therefore paying high costs for low quality service, this is the definition of a lack of value for money. The contract between the Council and BDMS has expired however the Council is having to extend the contract until a decision on the company's future is made by the Council. It is likely that new arrangements will not be in place before 2026/27.

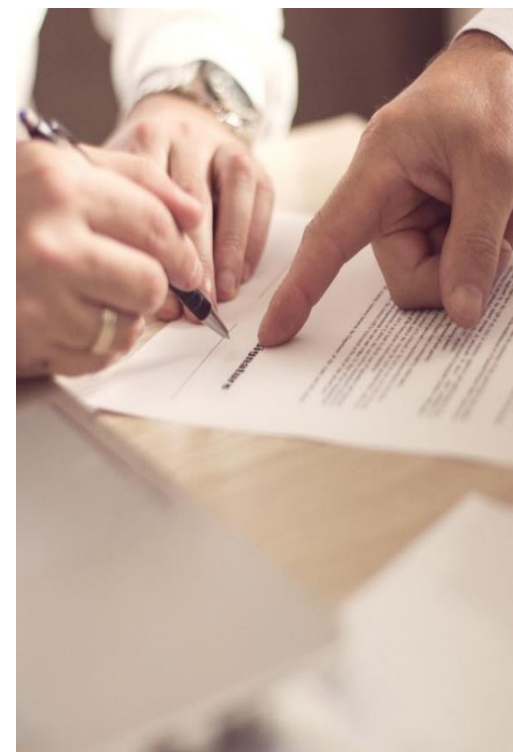
As stated on page 12 Be First failed to deliver any dividend income in 2023/24 and the Council relied on the Mueller reserve to close this £10.3m gap. That reserve was created out of windfalls received through Be First in previous years. The Council advised that it was envisaged that this would provide some flexibility in terms of payment of future dividends and commented that Be First have effectively prepaid returns to the Council until 2024-25. The forecast dividend from BDTP of £2.2m p.a. may not be delivered over the course of the MTFS. Any shortfall can be covered in the short term by an Investment and Acquisitions Reserve. This use of these reserves is potentially not sustainable in the long term as the balance in those reserves was £30m as at 31 March 2024. As stated previously the Council is therefore planning to remove dividend income from its MTFS. The Council will need to find a long-term solution and has commissioned EY to conduct a review and assist the Council in determining this. There are outstanding loans made to the subsidiary companies. We will continue to look at this in more detail to understand whether the Council's arrangement provides a clear strategy around managing these loans.

Housing Revenue Account (HRA)

The HRA had a projected to overspend by £7m in 2023-24. The most recent long-term assessment by the Council was that the current £10-£12m surplus on the HRA would be carried forward until 2033/34. The Council has recently identified a need for an extra £750m potential borrowing to fund a 30-year HRA business plan. £1.8bn of investment has been assessed by the Council as needed to bring housing stock up to the required regulatory compliance standards. The Council estimates that servicing this level of debt would push the HRA into deficit from 2026/37. The Council is again planning to make heavy use of reserves (£100m over next 5 years). Earmarked reserves will be extinguished by 2030 under current plans.

We have seen multiple reports regarding the quality/conditions of housing stock, including mould, damp and collapsed balconies. The Housing Ombudsman made a severe maladministration finding against the Council after it was deemed not to have acted effectively enough and had mishandled the repairs over damp and mould. The Housing Ombudsman required the Council to pay compensation of £6,000 for one such case. The Council has recognised health and safety of tenants as a Red 'RAG' rated risk in its corporate risk register.

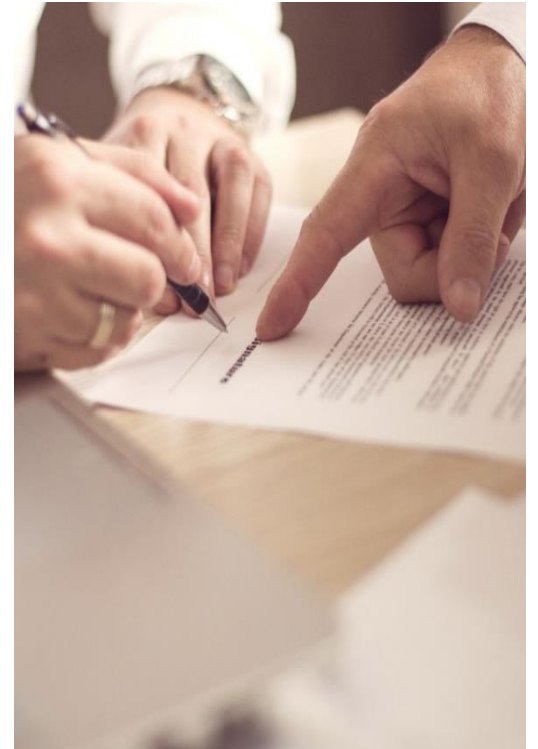
The Regulator for Social Housing conducted an investigation into BDMS in 2023/24 and although no action was taken by regulator at the time there are potential safeguarding issues due to housing disrepair. Given the extent of level of borrowing (£750m) and investment (£1.8bn) required to bring the stock up to the required standard we are concerned about the Council's ability to complete repairs quickly enough to avoid safeguarding issues or future regulatory action. As stated above The Housing Ombudsman has also received a number of complaints and has been critical of how the Council has dealt with these complaints.



Scrutiny and Decision Making

Conclusion

We have concerns regarding the effectiveness of scrutiny and decision making. Weaknesses in this area of governance will necessarily impact decisions across all areas of value for money: Financial Sustainability, Governance and Improving Economy; Efficiency and Effectiveness. There are therefore potential areas of significant weakness in the Council's arrangements for achieving Value for Money. We plan to undertake a more detailed review of scrutiny and the effectiveness of decision making in order to validate these initial findings. We intend to include the results of that further review in our AAR for 2023/24 which will be presented to this Committee in October 2024.



Appendices to Auditors Annual Report progress update

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

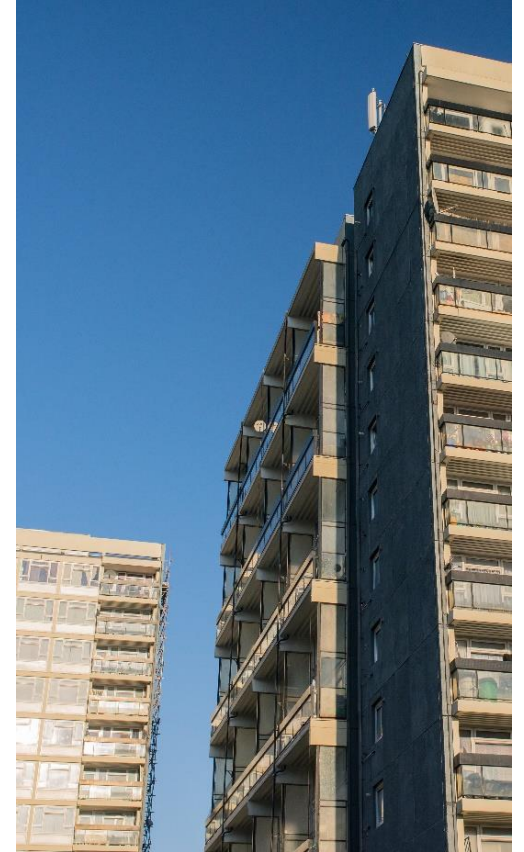
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.

Sector update

Audit Backstop - update

As we have previously updated, the Government consulted in February 2024 on a proposal to introduce a series of statutory backstops to bring the local audit system back on track. The proposals also included a series of updates to the NAO's Code of Audit Practice.

Our understanding was that the necessary regulations to enact the backstop legislation were due to be laid before Parliament prior to summer recess in July 2024. This would have enabled the legislative framework which would have enabled the 30 September 2024 backstop to be implemented.

The calling of a General Election on July 4th puts this timetable in considerable doubt. The Government that is elected will have to both decide if it wants to implement the backstop solution and if so, determine the timetable by which it happens. In the meantime we will continue with the plan we have informed you of in respect of your audit for 23/24.

Audit sign off as at 31 May 2024

As at the end of May, we had signed 136 audits for 2022/23, representing 65% of our local government population. We envisage achieving a 75% sign off rate by the end of September. This compares with a sign off rate for other firms at the end of May of 7% (18 audits). If the backstop is extended to the end of the year – we envisage this figure moving to 80% completion.

We had signed off 81% of our 2021/22 audits by the end of May. We envisage achieving an 85% sign off rate by the end of September. Other firms had signed off 48% of audits by the end of May.

Audit year	Grant Thornton audits signed	Grant Thornton audits signed	Other firms
	Position as at end of May 2024 (%)	Forecast position end of Sep 2024 (%)	Position as at end of May 2024 (%)
2022-23	65	75	7
2021-22	81	85	48
2020-21	92	92	81

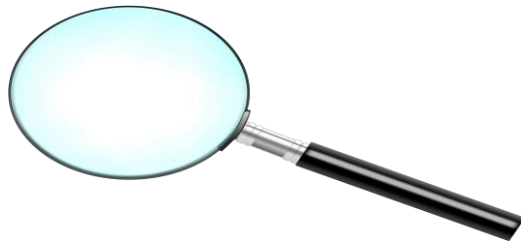
Change of external auditor – how to get the best out of new arrangements

With 2023/24 being the first year of a new five-year PSAA contract for external audit, and the year-end (31 March 2024) having just passed, many Local Authorities will now be starting to work closely with a new incoming external auditor. Audit delays from the past mean that for some Local Authorities, this will be the first close experience of working with an external auditor for several years.

When it works well, external audit can provide management with valuable insight and, at the same time, demonstrate to the public that there has been proper use of, and accounting for, public money. To get the best out of this year's audit though, many Local Authorities will need to take effective steps to close-down the prior year backlog whilst simultaneously ensuring a smooth transition between different external auditors.

A recent Local Government Association “Must know” guide on working with auditors may help with navigating the unique challenges that this year's audit cycle poses. The guide provides an oversight of internal and external audit functions and outlines what to expect from external audit, and when to expect it.

For the full guide, see [Must know guide: Working with auditors | Local Government Association](#).



Working well with a new external auditor

- **Understand the respective responsibilities of the Local Authority and the external auditor.**
- **Be open to early meetings between senior executives and the new external auditor.**
- **Understand that outgoing and incoming external auditors will need time to confer.**
- **Introduce the Head of Internal Audit.**
- **Facilitate introductions for the Audit Committee.**
- **Share the timetable and be clear about how timetable risk will be managed.**
- **Provide a named single point of contact and appropriate supporting resources.**
- **Provide early information around any new projects, including commercial projects.**
- **Provide appropriate access to IT systems and records.**
- **Respond promptly to requests for information.**
- **Ensure that all relevant staff affected by the external audit process understand what to expect and why it is important.**

Local government elections – what do they mean for Audit Committees?

With the 2nd May 2024 local government elections having seen changes at many of the 107 local authorities that took part, for many local authorities it is now time to agree Audit Committee membership at the start of a new municipal year.

Whilst newly elected administrations will inevitably want to focus on new strategic vision and “fixing things”, it will be important to remember to continue to “defend things” and protect the underlying mechanics of effective government as well.

The Audit Committee is one of the key lines of defence for a local authority. Its members oversee governance, risk management, internal and external audit, anti-fraud arrangements, financial reporting and statutory duties.

Following the local elections there may be changes to appointments to the Audit Committee. Experience shows that the Committees are more effective when appointments are non-political; cover a range of relevant skills and experience (including financial expertise); and include at least one independent, co-opted member. Two independent co-opted members is generally considered best practice.

Once appointed, the new Audit Committee will need to build relationships with internal audit, external audit, and senior management. It may also want to review its terms of reference. Training needs of new Audit Committee members will also need to be identified and training provided.

Annual reviews of Audit Committee effectiveness are common, but for the early days, new Committees may wish to make use of the Local Government Association’s April 2024 “Ten Questions” to make sure they start by steering on the right path.

For a full copy of the Local Government Association’s guide, see [Ten questions for audit committees](#).

Ten questions for a newly formed Audit Committee

- **How can we be an effective Audit Committee?**
- **What might we miss as an Audit Committee?**
- **How will we get assurance for ourselves and others regarding governance, risk management, internal control, and the accuracy of financial reporting?**
- **What is management doing to ensure there is an effective culture?**
- **How does management support and promote the role of audit (internal and external)?**
- **How will management provide us with practical support?**
- **What is internal audit’s role, scope, and mandate? How should internal audit be resourced?**
- **How does internal audit set its audit plan? Is internal audit providing assurance around business-critical risks?**
- **How do we know we have an effective internal audit function?**
- **How should internal and external auditors work together to complement each other?**
- **What are the 2-3 things we should be most worried about?**

LGA Improvement and Assurance Framework

On 24 May 2024 the Local Government Association (LGA) published an Improvement and Assurance Framework which is applicable to unitary, county, district and borough councils in England, and to English authorities with all types of governance system.

There has not previously been a document or framework which sets out, in one place, the various required components of local government assurance, how they all fit together, how to use them effectively and what improvement support is available to help. This framework aims to:

- support councils to understand how to use the components within the framework and how they fit together;
- increase the effectiveness of assurance in the sector. While it cannot itself prevent failures, its use may reduce the risk – and costs – of statutory or non-statutory intervention, whether by Oflog, central government or other regulators;
- make it easier for local residents and businesses to understand how to hold their local authority to account.

The framework includes content on:

- A definition of assurance.
- How does accountability work?
- Components of the improvement and assurance framework.
- Working with auditors.
- Guidance on taking a structured and robust approach to considering commercial activity.

- Guidance for officers in key statutory roles and for key committees including the Audit Committee.
- How does the council hold itself to account?
- Key principles of good assurance and accountability.

The framework can be accessed here:

<https://www.local.gov.uk/publications/improvement-and-assurance-framework-local-government-0>



The State of the Locals

In April, shortly before the recent local government elections, a “State of the Locals” report found that public trust in government at all levels is falling, but that public trust in local councillors and the Local Authorities they run is still almost twice as strong as public trust in the national UK government.

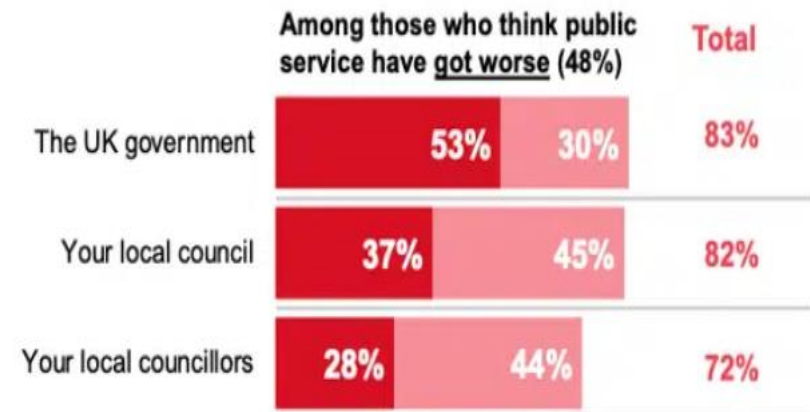
The report, published by the Local Government Information Unit (LGIU), found that the public do recognise the role that Local Authorities and their members play and do credit them when things go well. However, the report also found that the public believe services have got worse over the last five years overall; believe Local Authorities play a significant role in this (although not as great a role as the national government); and do not always understand what Local Authorities do.

For new members joining local government for the first time and for the more experienced members starting or continuing their term, it’s worth reflecting on LGIU findings. From the surveys that LGIU carried out, detailed findings show that people feel residents should be included more within decision-making processes; but there remains a low level of public awareness about what local government does.

This may be a good time to revisit communications strategies. Educating the public about the role and functions of local government, as well as the outcomes that members are actually able to achieve, might not only protect trust at its current level above national government, but also pave the way for a stronger level of trust overall in the future.

For a full copy of the LGIU report, see [The State of the Locals 2024 - LGIU](#)

State of the Locals extract: Who do the public think are responsible?



Productivity plans – new guidelines revealed and a note of caution

On 16th April 2024, Local Government Minister Simon Hoare wrote to all Local Authority Chief Executives, asking them to formally begin compiling their productivity plans. Key things for members to be aware of are:

- There is no formal template and there are no specific metrics to report;
- Four categories are proposed for consideration. These surround resources; technology; reducing wasteful spend; and the barriers preventing progress;
- Metrics and performance indicators are expected to be included in the plans, but Local Authorities can decide for themselves which ones are relevant to include;
- Plans should be three to four pages long and need to be returned to DLUHC by 19th July 2024, with members having endorsed them first; and
- For transparency, plans should then be published on the Local Authority's website, so that residents can see them and, over time, monitor progress.

Whilst this may feel like additional burden, there will presumably be scope for using key performance indicator metrics already available.

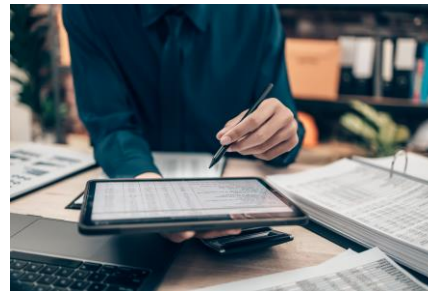
The current intention of government is not to use Productivity Plans for rating or scoring or for league tables, but rather to inform policy considerations in the future. However, most Councils will remember that the Times recently used Office for Local Government data to compile and publish its own league table, so far without any redress from national government.

For Productivity Plan metrics, as for any other performance indicators, it will be important to be clear about what drives the metrics. Whether for a three-to-four-page productivity plan or for any other domain, simply obtaining data isn't enough. Understanding the data, explaining it to residents, and acting on it is ultimately what matters most.

For recent comments from the Local Government Lawyer on Simon Hoare's letter to Chief Executives and on the Times's league table see:

[Government reveals guidelines for new council 'productivity plans'](https://www.localgovernmentlawyer.co.uk/government-reveals-guidelines-for-new-council-productivity-plans/) ([localgovernmentlawyer.co.uk](https://www.localgovernmentlawyer.co.uk))

[Councils cry foul after Oflog data used for Times article on 'worst-performing councils'](https://www.localgovernmentlawyer.co.uk/councils-cry-foul-after-oflog-data-used-for-times-article-on-worst-performing-councils/) ([localgovernmentlawyer.co.uk](https://www.localgovernmentlawyer.co.uk))



Housing and homelessness – continuing crisis and a new reform

The Levelling-Up, Housing and Communities (LUHC) Committee published a report on the finances and sustainability of the social housing sector on 29th April 2024, arguing that the Government needs to deliver 90,000 more social homes for rent each year to alleviate the “continuing chronic shortage” of social housing.

Just one day later, latest quarterly statistics on statutory homelessness and households in temporary accommodation were released. They made for sobering reading when compared with equivalent quarterly statistics from the previous year, underlining the real affect that our shortage of housing is having:

- 4.8% increase in overall initial assessments for homelessness year on year;
- 15.8% increase in households owed a relief duty this year compared to last;
- 15.3% increase in households owed a main homelessness duty;
- 12.1% increase in households in temporary accommodation;
- 15% increase in households with children in temporary accommodation.

For short term responses to homelessness, the February 2024 announcement that the Government would top up local authority homelessness prevention grants by £109 million will doubtless be helpful, as perhaps could be some certainty around the future of no-fault eviction laws. For a long-term solution though, addressing the supply of housing stock itself may still the best means of addressing the root cause of homelessness issues.

A new reform came into effect on the same day that homelessness statistics were published. Since 30th April, Local Authorities have been empowered to buy land for development through using Compulsory Purchase Orders without paying inflated ‘hope value’ costs. ‘Hope value’ estimates the cost land could be worth if it was developed on in the future, often meaning that Local Authorities have been forced to pay potentially thousands more to buy the land they need for housing and/ or have become entrenched in protracted disputes.

Housing and homelessness are complex areas and there is unlikely to be any quick fix solution. The new reform may help stimulate the building activity needed to address at least one part of the problem though, and in this respect is likely to be welcome.

For a full copy of the LUHC Committee report, see

[The Finances and Sustainability of the Social Housing Sector \(parliament.uk\)](https://www.parliament.uk/publications/2024/04/levelling-up-housing-and-communities-committee-report-on-the-finances-and-sustainability-of-the-social-housing-sector)

For the latest statistics on homelessness and households in temporary accommodation, see [Statutory homelessness in England: October to December 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/statutory-homelessness-in-england-october-to-december-2023)

For details of the new reform around hope values, see [New powers for councils to help build more affordable homes - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/new-powers-for-councils-to-help-build-more-affordable-homes)

Design for life – the smart regeneration journey to 2030

Leading think tank Localis published an analysis of local regeneration policy on 8th May 2024, making a series of recommendations to national government around how best to develop the public realm over the rest of this decade.

Localis highlighted that local regeneration projects, particularly in urban areas, are key to addressing the national housing crisis; national net zero targets; and national health aspirations.

Recommendations that the report called on national government to implement included:

- Return to strategic regional planning;
- Establish regional planning offices;
- Provide single revenue and capital budgets to Local Authorities instead of splitting the budgets;
- Stop loosening regulation over council asset sales;
- Mandate that local and regional development plans will include carbon assessments and promote urban sites;
- Provide long term financial settlements, to reduce fiscal uncertainty and encourage public-private partnership; and
- For health and wellbeing aspects of regeneration, base additional funding on demographic profiles.

Localis described local authorities as “the hinge around which regeneration actors revolve.” Whilst their recommendations would require changes in national policy, there are best practice questions that Local Authorities can be asking themselves now:

- Is our planning department properly financed?
- Are our regeneration goals sufficiently balanced across housing, carbon and community health needs?
- Do we have effective ongoing relationships with partners so that we can leverage short term funds quickly when they do become available?
- Can we scale up capacity for regeneration by pooling leverage with local NHS bodies, the third sector and community organisations?

For a full copy of the Localis report, see

<https://www.localis.org.uk/research/design-life-smart-regeneration-journey-2030/>



Simpler Recycling – new rules to be aware of

The Department for Environment, Food and Rural Affairs (DEFRA) announced on 9th May 2024 that simpler recycling rules are going to be introduced. Local Authorities are likely to be required to comply by 2026. The new rules aim to simplify recycling processes and boost recycling rates, although they have met with significant criticism.

To be ready for compliance with the new rules, Local Authorities need to prepare for:

Standardisation:

All Local Authorities in England will be required to collect a consistent set of recyclable materials: Plastics; Glass; Metals; Paper and Card; and Food Waste. The intention is to remove uncertainty and variation around the country about what can and cannot be recycled.

A three-bin arrangement:

‘Dry recycling’ items such as cardboard and paper, tins and glass will be collected in one bin. Organic waste (food and garden) will be collected in a second bin. Residual (non-recyclable) waste will be collected in a third.

Weekly and fortnightly requirements:

Food waste collection will be required weekly. Local Authorities will be required to collect residual waste on a fortnightly basis, even if at present they have already successfully transitioned to a three-weekly cycle.

Critics have pointed out that mixed dry recycling may contaminate paper and lead to less of it being recycled; whilst the move away from three weekly residual waste collection in favour of a fortnightly residual waste collection is likely to reduce recycling overall. Nevertheless, the reform has been passed and Local Authorities will need to be ready. Important steps to take now are:

- Review and update the Waste Management Strategy;
- Engage with finance business partners to ensure that activity will be accurately recorded and, in turn, translated to relevant new funding claims;
- Explore whether the changes in themselves generate new income opportunities; and
- Assess the readiness of contract delivery partners.

For DEFRA’s comments on the reform, see [Simpler bin collections for England to boost recycling - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/simpler-bin-collections-for-england-to-boost-recycling)



Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiaa.org/globalassets/documents/resources/the-iaas-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>



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AUDIT & STANDARDS COMMITTEE
22 July 2024

Title: Internal Audit Annual Report 2023/24	
Report of the Strategic Director, Resources	
Open Report	For Information
Wards Affected: None	Key Decision: No
Report Author: Christopher Martin, Head of Assurance	Contact Details: Tel: 07870278188 E-mail: Christopher.Martin@lbbd.gov.uk
Accountable Strategic Leadership Director: Jo Moore - Strategic Director, Resources	
Summary	
<p>This report outlines the Internal Audit work carried out for the year ended 31 March 2024.</p> <p>The Internal Audit annual report contains the Head of Assurance Opinion based on the work undertaken in the year. This is “generally satisfactory with some improvements required”.</p>	
Recommendation(s)	
The Committee is recommended to note the contents of the report.	
Reason(s)	
To provide an Internal Audit Opinion on the Council's framework of governance, risk management and control that helps to evidence the effectiveness of systems as set out in the Annual Governance Statement.	

1 Internal Audit Annual Report 2023/24

- 1.1 This report outlines the Internal Audit work carried out for the year ended 31 March 2024.
- 1.2 The report contains the Head of Assurance Opinion based on the work undertaken in the year. This is “*generally satisfactory with some improvements required*”. Most work was complete at the time of publishing this report.
- 1.3 The Internal Audit Annual Report is set out at Appendix 1.

2 Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Solicitor

- 2.1 The Accounts and Audit (England) Regulations 2015 section require that: a relevant authority must ensure that it has a sound system of internal control which—facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.
- 2.2 Furthermore the Director of Finance has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 2.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against it. We will enhance our provision further by making best use of existing legislation, for example the Proceeds of Crime Act 2002, to ensure that funds are recovered, where possible by the Council.

3 Financial Implications

Implications completed by: Michael Bate, Deputy S.151 Officer

- 3.1 Internal Audit is fully funded as part of the Council's Finance Service. It is a key contribution to the overall management and control of the Council and its stewardship of public money. The recommendations and improvements as a result of its findings will be implemented from within existing resources. There are no further financial implications arising from this report.
- 3.2 Should there be any new financial impact such as need for additional funding to implement the recommendations, proper delegations to seek approval will need to be followed in line with the Council's constitution.

4 Other Implications

- 4.1 **Risk Management** – Internal Audit activity is risk-based and therefore supports effective risk management across the Council.
- 4.2 No other implications to report

Public Background Papers Used in the Preparation of the Report:

- None

List of appendices:

- Appendix 1: Internal Audit Annual Report 2023/24

Appendix 1: Internal Audit Annual Report 2023/24

Contents:

1. Introduction
2. Head of Internal Audit Opinion
3. The 2023/24 Internal Audit service
4. 2023/24 Internal Audit work conducted
5. Progress against audit plan
6. Results of the Internal Audit work
7. Internal Audit performance
8. Appendices

1. Introduction

This report outlines the work that Internal Audit has carried out for the year ended 31 March 2024.

The Public Sector Internal Audit Standards require the Chief Audit Executive (Head of Assurance) to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit & Standards Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The 2023/24 Internal Audit Plan, approved by the Audit and Standards Committee, included 48 audits, consisting of 35 risk and compliance audits, 10 school audits and a project to follow-up prior year work in schools. 44 audits were delivered, consisting of 33 risk and compliance audits, 10 audits of schools and the schools' follow-up work. Reasons for variations in the plan were reported quarterly to the Audit and Standards Committee.

Internal Audit work was performed in accordance with the Public Sector Internal Audit Standards.

2. Head of Assurance Opinion

I am satisfied that sufficient Internal Audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

My opinion is based on:

- All audits undertaken during the year.
- Any follow up action taken in respect of audits from previous periods.
- Any significant recommendations not accepted and/or addressed by management and the resulting risks.
- The effects of any significant changes in the organisation's objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.
- What proportion of the organisation's audit needs have been covered to date.

My opinion is as follows:

Generally satisfactory with some improvements required.

Governance, risk management and control in relation to business-critical areas is generally satisfactory. However, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk.

Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

An explanation of the types of opinion that may be given can be found in Appendix 2.

I would like to take this opportunity to thank Council officers for their co-operation and assistance provided during the year.

3. The 2023/24 Internal Audit service

The in-house team consisted of four substantive posts - an Audit Manager, a Principal Auditor and two Apprentice Auditors. One of the Audit Apprentices joined the team during the year and this post was created by temporarily amending a second existing Principal Auditor post to be that of an Apprentice. The Head of Assurance is the Council's Chief Audit Executive and splits his time between Internal Audit, Counter Fraud, Insurance, Risk Management and Information Risk.

The Internal Audit service continued to be supported throughout 2023/24 by Mazars through the Council's contract with LB Croydon (the 'Apex' framework) and PwC via the contract with LB Barnet (the 'CCAS' framework).

Internal Audit has remained independent of the business in 2023/24. As detailed in the Internal Audit Strategy, additional safeguards have been put in place over areas for which the Head of Assurance is operationally responsible.

4. 2023/24 Internal Audit work conducted

The approved 2023/24 internal audit plan consisted of:

- 37 risk and compliance internal audits.
- 11 audits of schools including a follow-up project of prior year work in schools.

Two risk and compliance audits were added to the plan in the year as follows:

- Anonymous Recruitment – added in Q3 to address emerging risks around the recruitment process.
- RSL Health & Safety Compliance – added in Q3 for an independent assessment of My Place progress against Regulator concerns.

The following six risk and compliance audits were deferred or cancelled as follows:

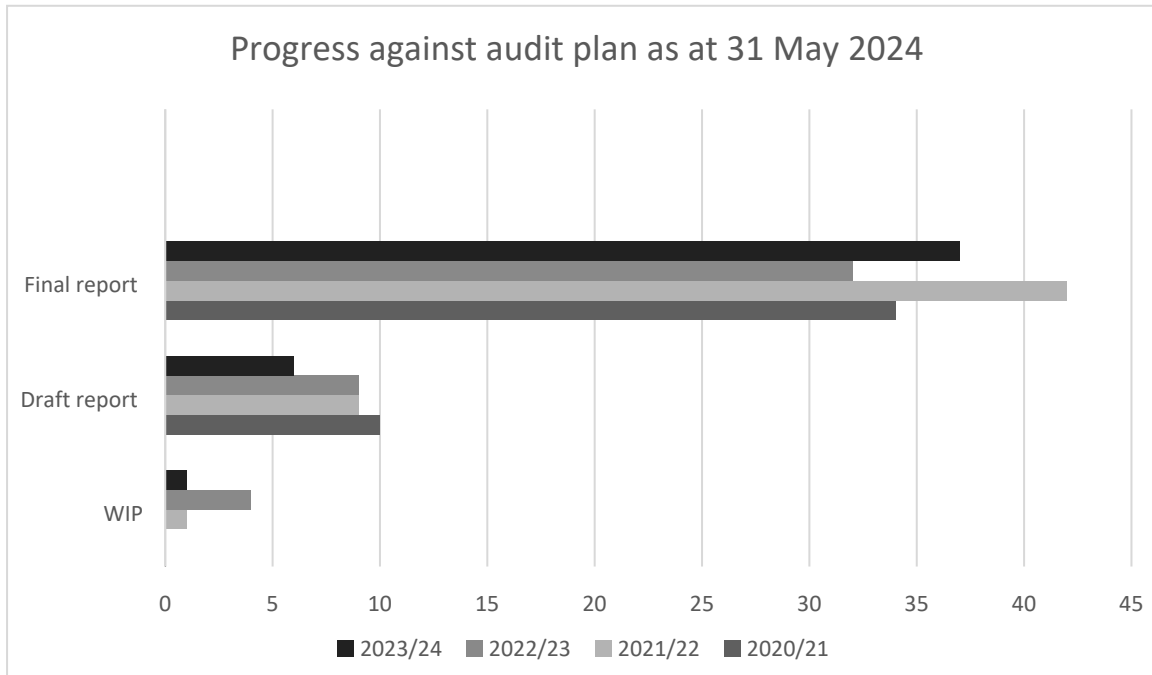
- Environmental, Social and Governance – deferred to 2024/25 in Q3 to allow sufficient time for policy development.
- Damp & Mould – deferred to 2024/25 due to scope overlaps with the RSL Health & Safety Compliance audit.
- Fire Safety Compliance – deferred to 2024/25 due to scope overlaps with the RSL Health & Safety Compliance audit.
- Housing Rent Setting & Adjustment - deferred to 2024/25 in Q4 to allow for DWP corrections to be made to the system.
- Housing Repairs & Maintenance – deferred to 2024/25 in Q4 to allow for implementation of the BDMS Improvement Plan.
- General Ledger & Budgetary Control - deferred to 2024/25 in Q4 because of capacity limits.

5. Progress against audit plan

Of the resulting 44 audits (33 risk and compliance and 11 audits of schools), as at 31 March 2024, 18 were at final report and 17 at draft report stage with 9 still work in progress. The total of 80% at report stage met the performance target exactly.

During April and May 2024, further progress was made in finalising draft reports meaning that, as at 31 May 2024, 38 were at final report, 5 at draft report stage and 1 work in progress. This fell marginally short the target of 100% to have reported by this date due to the late stage of the year when significant additional pieces of work were required to be undertaken as well as staffing changes at senior levels requiring input to our work. All work has since been completed.

Progress Status	2023/24 31 May 2024		2022/23 31 May 2023		2021/22 31 May 2022		2020/21 31 May 2021	
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
Final Report	38	86%	32	71%	42	81%	34	77%
Draft Report	5	12%	9	20%	9	17%	10	23%
WIP	1	2%	4	9%	1	2%	0	0%
TOTAL	44		45		52		44	



6. Results of the Internal Audit work

Risk and Compliance audits

Internal Audit reports include a summary level of assurance using the following scale:

- Substantial Assurance
- Reasonable Assurance
- Limited Assurance
- No Assurance
- N/A – where projects are advisory in design

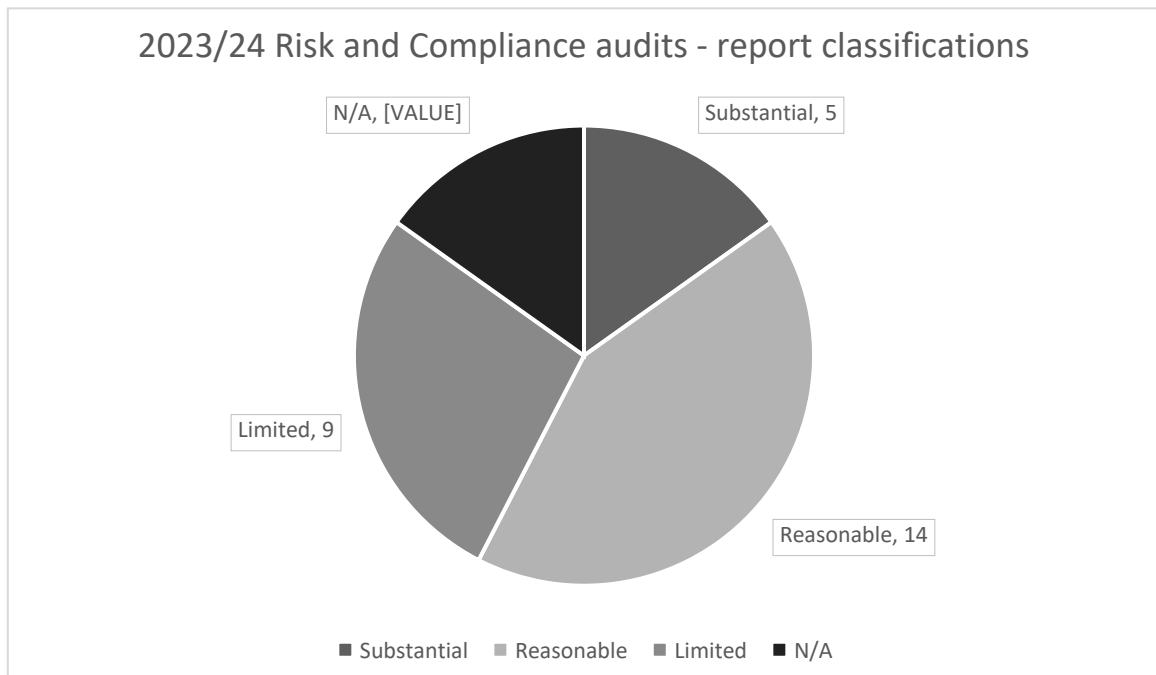
Internal Audit findings are categorised Critical, High, Medium and Low risk depending upon the impact of the associated risk attached to the recommendation.

Definitions of the ratings can be found at Appendix 3.

The table below sets out the results of our 33 risk and compliance 2023/24 internal audits:

Audit	Opinion	Number of Findings			
		Critical	High	Medium	Low
Commercial Rents	Limited Assurance	0	1	1	0
Gifts & Hospitality	Limited Assurance	0	1	2	0
Systems Logical Access Review	Limited Assurance	0	1	3	0
Accounts Payable	Limited Assurance	0	3	0	0
Health & Safety Team	Limited Assurance	0	2	3	2
Onboarding Process	Limited Assurance	0	2	2	2
Planning & Building Control	Limited Assurance	0	1	4	0
Land & Building Valuations	Limited Assurance	0	1	2	0
Antivirus & Malware	Limited Assurance	0	1	1	0
Accounts Receivable	Reasonable Assurance	0	0	1	0
Health & Safety Compliance	Reasonable Assurance	0	0	0	0
Payroll	Reasonable Assurance	0	1	1	0
Settlement Agreements - Between Council and its staff	Reasonable Assurance	0	0	1	2
Cost of Living Crisis	Reasonable Assurance	0	0	1	2
Special Education Needs & Disability - Operational	Reasonable Assurance	0	0	1	0
Council Tax	Reasonable Assurance	0	0	1	0
Workforce Governance	Reasonable Assurance	0	0	3	0
Access To Work - By Staff	Reasonable Assurance	0	0	2	0
Development of Civil Society	Reasonable Assurance	0	0	2	0
Third Party IT Contracts	Reasonable Assurance	0	0	1	1
Pension Administration	Reasonable Assurance	0	1	1	0
Identity & Access Management	Reasonable Assurance	0	0	3	0
Asset Management	Reasonable Assurance	0	0	3	0

NNDR	Substantial Assurance	0	0	1	0
Value Added Tax	Substantial Assurance	0	0	0	0
Community Hubs Programme	Substantial Assurance	0	0	0	0
Social Value in Procurement	Substantial Assurance	0	0	0	0
Mayor's Charity Account	Substantial Assurance	0	0	0	0
BDMS Performance Improvement Plan	N/A	0	3	1	0
Grant Claims	N/A	0	0	0	0
Anonymous Recruitment Process Review	N/A	0	0	0	0
Payment Card Industry Data Security Standard	N/A	0	0	0	0
Working Patterns	N/A	0	0	0	0
Total		0	18	41	9



We issued nine Limited Assurance opinions in the year as follows:

Title	Summary of findings <i>and current progress to address reported high-risk findings</i>
<p>Commercial Rents</p> <p>The objective of this audit is to evaluate the design and test the operating effectiveness of key controls in place over Commercial Rents.</p>	<p>Limited Assurance</p> <p>This review identified that there is no contract in place for the relationship between the Council and the external chartered surveyor. This leaves the Council with no confirmation of the checks they are undertaking on prospective tenants or of the commercial terms these are being completed under. The Council also has to rely on the RICS standard terms to seek damages in the event of a dispute and this may limit the Council's ability to hold the surveyors to account.</p> <p>This review identified one high risk action:</p> <ul style="list-style-type: none"> • Management will ensure that a formal agreement is in place for the use of external parties in the rent process. The agreement will outline clear roles and responsibilities, be signed and agreed by both parties and subject to review and sign-off on a regular basis. <p><i>Agreed action due for completion: 31 July 2024.</i></p>
<p>Gifts & Hospitality</p> <p>The objective of this audit was to evaluate the control design and test the operating effectiveness of key controls in place relating to administration of gifts and hospitality for staff.</p>	<p>Limited Assurance</p> <p>Internal Audit established that the process for declaring gifts and hospitalities had moved online in 2015 from a previously manual form completion process. The e-form was intended to populate a register of gifts and hospitalities but at the time of the audit it was clear that the form was no longer active and had not been available on the Council's intranet for some time.</p> <p>This review identified one high risk action:</p> <ul style="list-style-type: none"> • Management should look to re-establish a corporate electronic recording system to enable staff declare and report gifts and hospitality offered along with actions taken. An offline equivalent should be made available to those who do not have access to the intranet. <p><i>Agreed action completed May 2024.</i></p>
<p>Onboarding Process</p> <p>The objective of the review was to assess the operating effectiveness (as opposed to the design) of the controls in place to ensure that the</p>	<p>Limited Assurance</p> <p>All new staff have a probationary period at the start of their employment, typically of six months. Review meetings are expected to take place with the employee's manager after one, three and five months and a report should be written to confirm this meeting has been held. If at the end of the six-month probationary period, the manager is satisfied with the performance of the new joiner, they should notify the HR Service Desk to confirm the permanent appointment of the new employee and attach an End of Probation Form. Managers are prompted by an automatic reminder on the Emboarder workflow to schedule probation meetings at</p>

<p>Council properly oversees the onboarding of new starters.</p>	<p>these one, three- and five-month periods.</p> <p>Internal Audit attempted to review a sample of five employees and found that evidence of reports from the probationary reviews could not be located. In addition, confirmation letters sent on behalf of the Council to communicate permanent employment could not be evidenced for any of the sample.</p> <p>This review identified two high risk actions:</p> <ul style="list-style-type: none"> • Management should conduct an overarching review to determine if the system is working as intended and implemented changes to process and workflow where necessary. • Training should be provided to line managers to support them through the completion of the probationary period forms. This should include the expectations on formal check ins and documentation to be retained as part of the probationary reviews and confirmation of completion. <p><i>Agreed actions due for completion: 30 September 2024.</i></p>
<p>Planning and Building Control</p> <p>The objective of this audit was to provide assurance over the adequacy and effectiveness of current controls in place for the delivery of planning and building control functions</p>	<p>Limited Assurance</p> <p>Key-Person Dependency describes when an organisation relies too heavily on the knowledge or ability of one person. It's a risky situation for any organisation, especially when it comes to decision making and service delivery.</p> <p>Audit established that the only post in the establishment to approve planning applications is the Council's Head of Planning & Assurance. The planning decision making process is entirely dependent on her availability to Be First.</p> <p>This review identified one high risk action:</p> <ul style="list-style-type: none"> • The Councils management should consider an alternative post / position to approve planning applications under delegated authority in the absence of the Council's Head of Planning & Assurance <p><i>Agreed action due for completion: 30 September 2024.</i></p>
<p>Land & Building Valuations</p> <p>The objective of this audit is to evaluate the control design and test the operating effectiveness of key controls in place over Land and Building Valuations.</p>	<p>Limited Assurance</p> <p>The Council use an external party to carry out all property survey valuations and function as the Council's letting agent. This arrangement has been in place for 20 years and is based on the Royal Institute of Chartered Surveyors (RICS) terms of business. A description of the process was provided by the external party as part of this audit. However, there was no documented SLA or contract agreement in place for the relationship between the Council and the external chartered surveyor. The Council has limited assurance of the standard of service it is receiving and its ability to hold any external parties to account as part of this relationship as a result.</p>

	<p>This review identified one high risk finding:</p> <ul style="list-style-type: none"> • The Council will ensure that a formal agreement/contract is in place for the use of an external parties in land and building valuations process. This will outline clear roles and responsibilities as well as deliverables and be signed and agreed by both parties. <p><i>Agreed action due for completion: 30 September 2024.</i></p>
<p>Antivirus & Malware</p> <p>The objective of the review was to provide assurance that the Council has effective controls in place in relation to the management of Antivirus and Malware.</p>	<p>Limited Assurance</p> <p>While the Council has defined Mobile Device Management (MDM) and Mobile Application Management (MAM) criteria in both the Mobile Device Configuration Policy and the Mobile Device Patching Policy, gaps in these areas were identified.</p> <p>This review identified one high risk action:</p> <ul style="list-style-type: none"> • Address the gaps identified in the report. <p><i>Agreed action due for completion: 31 October 2024.</i></p>
<p>Systems Logical Access Review</p> <p>The objective of the review was to provide assurance that the Council has effective controls in place in relation to the management of logical access to key IT applications. The IT applications considered to be in scope are Capita Housing, NEC Enterprise EDMS, and Liquidlogic.</p>	<p>Limited Assurance</p> <p>User Access to a system should only be granted after authorised approvals have been received in a timely manner, to ensure access provisioned is sufficient and appropriate. During the internal audit, we conducted sample assessments across the three systems to evaluate their access management processes, and noted the following:</p> <ul style="list-style-type: none"> • NEC Enterprise: of 10 selected samples of new users, approvals were lacking for 5. • Capita Housing: of 12 selected samples of new users, approvals were lacking for 1. • Liquidlogic: of 7 selected samples of new users, approvals were lacking for 1. <p>This review identified one high risk action:</p> <ul style="list-style-type: none"> • The systems teams should verify whether the individuals identified as exceptions legitimately require access to systems and possess the necessary access rights. If it is determined that these users should not have access, mitigating actions should be implemented, including revoking their access and analysing audit trails for any unauthorised activities. In addition, the Council should reinforce adherence to the approval process for granting access to new users, <p><i>Agreed action due for completion: 30 August 2024.</i></p>
<p>Accounts Payable</p> <p>The objective of this</p>	<p>Limited Assurance</p>

audit was to evaluate the control design and test the operating effectiveness of key controls in place relating to the Accounts Payable process.

Testing identified that there is a lack of control in place around the approval of new suppliers. New supplier requests should be made by the services using a form on e5 which would then be routed to the requesting officer's Manager / Budget Holder for approval and then onto the AP team with supporting documentation for processing. The budget holder approval step has not been configured into the e5 system and instead the requests are submitted directly to the AP team to approve and set-up. The AP team are currently approving but have no knowledge of the supplier or if the details supplied are appropriate.

Requests for supplier amendments are made via a form which is completed and signed off by the requestor and emailed to the Accounts Payable team alongside supporting documentation to validate the change. Audit requested a report from E5 of all changes to supplier standing data but were unable to obtain an appropriate report for sampling. This meant that we were unable to sample test changes to standing data including changes to bank details. Management confirmed that there is no exception reporting on changes to supplier standing data or any form of periodic monitoring of changes.

The AP system allows users to request a Sundry Payment such as a refund or a payment to an individual where an invoice is not available. The system allows users to input any information and description in the system field to force the payments through allowing duplicate payments for some transactions.

This review identified three high risk findings:

- The Council should consider updating e5 to ensure approvals by budget holders are part of the workflow for the setup of new suppliers. In the interim the Council will reinforce with staff that requests for new suppliers on e5 should be supported by relevant documents (including budget holder approval) being emailed to the AP team.
- The Council should engage with e5 to develop a report that is sufficient to allow identification of changes to supplier data. Management should conduct a monthly sample check of changes to ensure they are appropriate.
- Management should review the process in place and incorporate a validation process before payments are processed.

Agreed action due for completion: 30 September 2024.

<p>Corporate Health & Safety</p> <p>The objective of the review was to assess the operating effectiveness (as opposed to the design) of the controls in place to ensure that LBBD properly oversees the implementation of Health & Safety requirements and reporting across the Council.</p>	<p>Limited Assurance</p> <p>Council Service areas should complete a quarterly return on Health and Safety to the Corporate Health and Safety team within the timeframes laid out in policy and within the email distributed by the team. Internal Audit sought to confirm that services complete a quarterly return on Health and Safety to the Corporate Health and Safety Team. The accuracy and completeness on Health and Safety reporting to the Assurance Board is dependent on the information provided by service line managers quarterly. We were advised that this is compromised by consistent non-submission of returns noted in Assurance Board reports as a non-return for a select few service areas.</p> <p>Information provided by Services for Quarterly returns should be supported by reliable evidence or data as per information requested by the Corporate Health and Safety team. Managers submitting returns confirm that specific local plans and procedures are in place but no corroborating evidence of this is requested by Health & Safety. Further, none of the service managers contacted by Internal Audit could provide the requested evidence when challenged.</p> <p>This review identified two high risk findings:</p> <ul style="list-style-type: none"> • Management should seek from Assurance Board a formal process for escalating non-returns, particularly in instances where non-returns are a recurring issue. • The Corporate Health and Safety team should require further details of Live Leadership Check and Plans and accompanying documentation as part of the quarterly returns process. A copy of the plan's should be attached to the quarterly return submitted to the Corporate Health and Safety team to substantiate the tick box. <p><i>Agreed action due for completion: 30 September 2024.</i></p>
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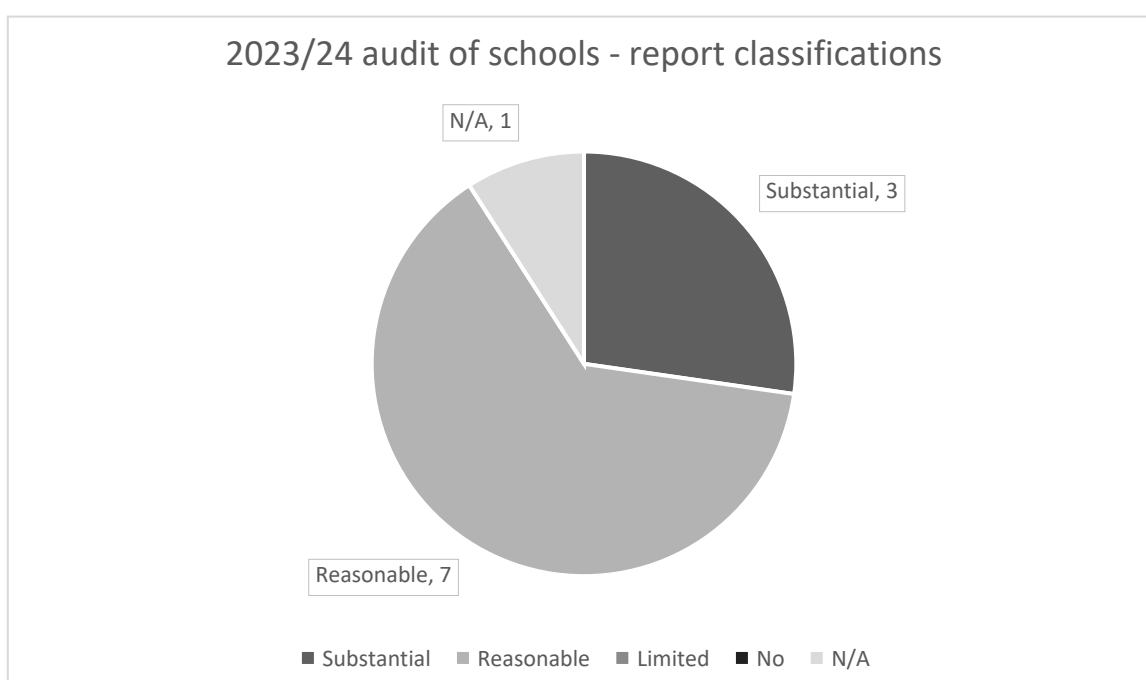
A critical risk is defined as requiring immediate and significant action. A high risk is defined as requiring prompt action to commence as soon as practicable where significant changes are necessary. Management are expected to implement all critical and high-risk recommendations by the agreed target dates. Internal Audit tracks management progress by way of a chase up or follow up to the audit client accordingly. Slippage in implementing agreed actions does occur and requires management to instigate revised targets and consider ways to mitigate the identified risks.

Audits of Schools

Schools within the Borough are audited on a risk basis. The objective of these audits is to ensure that the schools have adequate and effective controls with regards to the financial management and governance of the school.

The table below sets out the results of the 2023/24 Internal Audit work auditing 10 schools:

School	Opinion	Number of findings			
		Critical	High	Medium	Low
Grafton Primary School	Reasonable	0	0	4	0
George Carey Church of England Primary School	Reasonable	0	0	1	0
Hunters Hall Primary School	Substantial	0	0	1	0
Jo Richardson Community School	Reasonable	0	0	3	1
Ripple Primary School	Reasonable	0	0	5	0
Roding Primary School	Reasonable	0	0	3	0
Thomas Arnold Primary School	Substantial	0	0	0	0
Robert Clack School	Substantial	0	0	0	0
Becontree Primary School	Reasonable	0	0	4	0
Richard Alibon Primary School	Reasonable	0	0	5	1
Follow-up of prior year work	-	-	-	-	-
TOTAL:		0	0	26	2



We issued no “Limited Assurance” school reports in the year.

7. Internal Audit Performance

Purpose	Target	Performance & RAG Status	What it measures
Output Indicators (Efficiency)			
% of 2023/24 Audit Plan completed (Audits at draft report stage)	>25% by 30/09/23	15% - RED	Delivery measure
	>50% by 31/12/23	36% - RED	
	>80% by 31/03/24	100% - GREEN	
	100% by 31/05/24	98% - AMBER	
Meet standards of Public Sector Internal Audit Standards	'Generally Conforms' from annual review	Confirmed * - GREEN	Compliant with professional standards
Outcome Indicators (Effectiveness - Adding value)			
Overall Client Satisfaction	> 85% satisfied or very satisfied over rolling 12-month period	100% - GREEN	Customer satisfaction

* Internal Audit for 2023/24 was being provided by a combination of the in-house team, Mazars LLP and PwC LLP. The in-house team underwent an External Quality Assessment in 2023/24 and were awarded the highest rating. External teams have confirmed ongoing compliance with the Public Sector Internal Audit Standards.

Quality and improvement programme

Internal Audit quality has been maintained through adequate supervision and review processes in the year.

Quality and consistency has been improved through the implementation of all recommendations made during the External Quality Assessment.

Plans are in place to strengthen quality in 2024/25 particularly through further recruitment to the in-house team.

8. Appendices

1: Limitations inherent to the Internal Auditor's work

We have undertaken internal audit subject to the following limitations:

- **Internal control:** Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overruling controls and the occurrence of unforeseeable circumstances.
- **Future periods:** Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the following risks:
 - The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes.
 - The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Opinion







My opinion is based solely on the work undertaken as part of the agreed Internal Audit plan and agreed changes thereto. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and the Audit & Standards Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

2: Opinion types

The table below sets out the types of opinion that I have considered, along with an indication of the types of findings that may determine the opinion given. I apply my judgement when determining the appropriate opinion, so the guide given below is indicative rather than definitive.

Opinion	Indication of when this type of opinion may be given
Satisfactory	<ul style="list-style-type: none"> • A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and • None of the individual assignment reports have an overall report classification of either high or critical risk.
Generally satisfactory with some improvements required	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are not significant in aggregate to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are isolated to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk.
Major improvement required	<ul style="list-style-type: none"> • Medium risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are significant in aggregate but discrete parts of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignments that are not pervasive to the system of internal control; and • A minority of the individual assignment reports may have an overall report classification of either high or critical risk.
Unsatisfactory	<ul style="list-style-type: none"> • High risk rated weaknesses identified in individual assignments that in aggregate are pervasive to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are pervasive to the system of internal control; and/or • More than a minority of the individual assignment reports have an overall report classification of either high or critical risk.
Disclaimer opinion	<ul style="list-style-type: none"> • An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either: <ul style="list-style-type: none"> - Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or - We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

3: Definition of risk categories and assurance levels

Risk rating	
Critical 	<p>Immediate and significant action required. A finding that could cause:</p> <ul style="list-style-type: none"> • Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (e.g. mass strike actions); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High 	<p>Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause:</p> <ul style="list-style-type: none"> • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or • High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or • Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or • Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or • Minor impact on the reputation of the organisation; or • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost.
Level of assurance	
Substantial 	<p>There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.</p>
Reasonable 	<p>An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.</p>

<p>Limited</p> <p>●</p>	<p>There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.</p>
<p>No</p> <p>●</p>	<p>There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.</p>

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AUDIT & STANDARDS COMMITTEE**22 July 2024**

Title: Counter Fraud Annual Report 2023/2024	
Report Author: Kevin Key, Counter Fraud & Risk Manager Tel: 020 8227 2850, E-mail: kevin.key@lbbd.gov.uk	
Wards Affected: None	Requires formal Member-level approval: No
Accountable Director: Jo Moore - Strategic Director, Resources	
Summary: This report brings together all aspects of counter fraud work undertaken during 2023/24. The report details progress between 1 April 2023 and 31 March 2024.	
Recommendation: The Committee is asked to note the contents of the report.	

1. Summary of Counter Fraud work undertaken for 2023/24

1.1 The tables below indicate the level of work completed in the two areas for which the team are responsible, Corporate Fraud and Housing Investigations.

2. Corporate Fraud Activity including Whistleblowing

2.1 The update on corporate fraud activity for 2023/2024 is set out below. The team receives many referrals throughout each quarter and log and assess each case independently. A decision is then made as to what the best course of action is to deal with the referral. The team will open an investigation, refer to another service block of the Council or arrange for the matter to be referred to a specific manager for action.

2.2 Quarterly Fraud referrals including whistleblowing:

	22/23 Total	Q1	Q2	Q3	Q4	23/24 Total
Cases Outstanding from last quarter		16	17	16	20	
Referrals received in Period	271	110	115	87	91	403
Cases accepted for investigation	76	16	8	14	32	70
Referred to other service block within LBBD	84	86	83	61	40	270
Data Protection Requests received from other Local Authorities, the Police and outside agencies	111	8	24	12	19	63
Cases closed following investigation	74	17	9	10	29	65
Ongoing Corporate Fraud Investigations:		17	16	20	23	

2.3 The referrals received relate to the number of cases that are sent through to the Fraud email inbox or where contact is made directly with members of the team. All contact is logged and assessed accordingly. Considering the scope of what may be construed as potential 'fraud', many referrals are sent through in the belief that fraud has been committed, but following assessment, found to be more appropriately dealt with elsewhere.

We receive requests that relate specifically to CCTV, Subject Access Requests, Freedom of Information and Data Protection as well as referrals relating to Housing Benefits, Council Tax, Department for Work & Pensions, Complaints, Parking Enforcement, Housing Services, noise nuisance, Housing Association properties, Planning, Private Sector Licencing, Police matters and Trading Standards. If there is a possible consideration of fraud, we are likely to have received a referral either via email or phone.

2.4 Outcomes – Quarterly and annual totals

	22/23 Total	Q1	Q2	Q3	Q4	23/24 Total
Disciplinary Action (including referrals for DA)/Resigned during	11	0	0	3	2	5
Referred to Management/advice given	13	4	0	7	8	19
No fraud found/Not proven/NFA	36	5	5	2	15	27
Referred to Police/Action Fraud/3 rd Party	8	8	4	3	3	18
Prosecutions (other than housing)	0	0	0	2	1	3

On Going Cases - Legal Action	Q1	Q2	Q3	Q4
Total Corporate cases	3	3	4	4

3. Housing Investigations

3.1 Members are provided specific details on the outcomes from the work on Housing Investigations. For 2023/24, outcomes are set out below.

3.2 Quarterly Housing Investigations

Caseload	22/23 Total	Q1	Q2	Q3	Q4	23/24 Total
Open Cases brought forward		40	28	19	33	
New Cases Added	464	149	155	124	124	552
Cases Completed	460	161	164	125	143	593
Open Cases		28	19	33	14	

Ongoing Cases - Legal Action	Q1	Q2	Q3	Q4
Total housing cases awaiting recovery	4	4	6	15

Outcomes - Closed Cases	22/23 Total	Q1	Q2	Q3	Q4	23/24 Total
Housing Convictions	1	0	0	0	0	0
Properties Recovered	11	4	4	0	1	9
Right to Buy initial checks	459	108	79	63	68	318
Successions Prevented & RTB stopped/agreed	47	18	15	15	12	60
Savings (FTA, SPD CTax, RTB, Decant)	£959,368	£175,326	£12,224	£23,260	£136,844	£347,654
Other Potential Fraud prevented/Advice given/passed to appropriate service block incl Apps cancelled	121	15	51	21	42	129
No further action required/insufficient evidence/not proven	41	16	15	26	20	77

3.3 In addition to the above other checks are routinely carried out and information provided to others. Below is an indication of the level of work undertaken.

	22/23 Total	Q1	Q2	Q3	Q4	23/24 Total
Education Checks	411	90	62	88	54	294

(Education checks relate to assisting admissions in locating children or families to free up school places or confirm occupancy and RTB checks are the early-stage checks undertaken to ensure occupancy and the legitimate tenant/s are entitled to continue with the RTB process to purchase their property).

4. Summary of key issues 2023/2024

4.1 Throughout Quarters 1 & 2 the team completed visits to those properties in receipt of small business rates relief. This was a proactive exercise, in conjunction with colleagues within Community Solutions, to establish whether there had been any change of circumstance in any business that was in receipt of Small Business Rates Relief. The team completed visits to all 1,666 properties that currently qualify for the scheme. This resulted in a total of 79 properties having their liability amended, raising an extra £256,275 in small business rates.

Row Labels	SBRR VALUE	Count of PROPERTY
Liability Amended	£19,206	8
Visit Raised/Tracing	£237,069	71
Grand Total	£256,275	79

4.2 The team achieved the successful prosecution of 2 former members of staff. The 2 had previously worked within Public Realm and were responsible for collecting trade waste but were found to have been collecting extra waste, for personal monetary gain, from businesses who were not paying the council for the service.

4.3 The team also were successful in Quarter 4 with the prosecution of a Care Worker who had submitted false timesheets. Following a guilty plea, the care worker resigned.

4.4 Throughout quarters 2, 3 and 4 the team have been involved with checking of Reside applications. All Market Rent and subsequently Affordable Rent properties are being reviewed to ensure the applications meet the criteria required. Unfortunately, the schemes appear to have been targeted by applicants who have provided false or misleading documentation. This has led to numerous criminal investigations being opened with a view to prosecuting those that have committed fraud.

4.4 For 2023/2024 the team recovered 9 housing properties. One particular property was the subject of a joint working initiative with colleagues in the Anti-Social Behaviour team. The property has been regularly visited by Police leading up to the involvement of LBB. Checks confirmed the tenant was residing in Essex and through working with her to explain the concerns, and evidence available to instigate legal action, the tenant voluntarily gave up the property and returned the keys.

4.5 One property was recovered in quarter 4; outlined below is a summary of the people who were given the properties that were being sublet or not used in the correct way.

1 bed flat	Reside property – re-let within 3 weeks of former tenancy ending.	Tenant was advertising property on Airbnb –
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		investigation led to tenant handing back the keys.
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4.6 As part of a commitment to be more transparent about how we deal with employees, outlined below is a summary of the 16 cases within Q4 that the Counter Fraud Team were involved in:

Service	Allegation	Outcome
My Place	Ex Agency committed fraud while working for LBBDD	Insufficient evidence to progress case
Resources	Officer accused of stealing money	Investigation and recommendation for disciplinary hearing. Officer dismissed for gross misconduct.
Adults & Childrens	Social Worker/s provided information to third party about a client	Fully investigated and no wrongdoing found.
My Place	Allegation received that a manager had acted in an illegal way when dealing with member of public.	Fully investigated and no wrongdoing found.
Be First	Request from service to access officer emails	Access refused based on reasons provided.
Adults & Childrens	Social Worker believed to be working elsewhere while employed by LBBDD	Social Worker resigned with immediate effect. Criminal Investigation ongoing.
Public Realm	Officer taking side waste	Referred to management – no fraud
Public Realm	Officer taking side waste	Referred to management – no fraud
My Place	Grievance	Investigation under grievance procedure – partially upheld
My Place	Officers allocating properties for money	Insufficient evidence to establish any named officer
Public Realm	Anonymous complaint regarding management of service within Public Realm	Insufficient evidence to investigate fully as officers refused to identify

Public Realm	Procurement concerns	Referred to management as already aware and dealing
Public Realm	Cifas match	Following initial review officer never started with LBBD
Public Realm	Cifas match	Following initial review officer never started with LBBD
Public Realm	Cifas match	Following initial review officer never started with LBBD
Public Realm	Various concerns over management of service	Referred to management as already aware and dealing

5. Regulation of Investigatory Powers Act

5.1 The Regulation of Investigatory Powers Act regulates surveillance powers, thus ensuring robust and transparent frameworks are in place to ensure its use only in justified circumstances. It is cited as best practice that Senior Officer and Members maintain an oversight of RIPA usage.

5.2 In June 2023, the Council received an inspection undertaken by the Investigatory Powers Commissioner's Office. The report was favourable, and we have begun to work on the recommendations.

5.3 Following the inspection in June 2023 a recommendation was made regarding training of staff. Work is currently ongoing to ensure the appropriate officers are reminded of their obligations and understand the need to consider RIPA should this come up in their work.

5.4 The current statistics are set out below following review of the central register, held by the Counter Fraud & Risk Manager. As per previous guidelines, RIPA authority is restricted only to cases of suspected serious crime and requires approval by a Magistrate.

(a) Directed Surveillance

The number of directed surveillance authorisations granted during Quarter 4, 1 January to 31 March 2024, and the number in force on 31 March 2024

Nil granted. Nil in Force.

(b) Communications Information Requests

The number of authorisations for conduct to acquire communications data during Quarter 4, 1 January to 31 March 2024

Nil granted. Nil in force.

6. Financial Issues

Implications completed by: Michael Bate, Deputy S.151 Officer

6.1 The team is fully funded and there are no financial implications impacting on this report.

7. Legal Issues

Implications completed by: Dr Paul Feild, Senior Governance Solicitor

7.1 The Accounts and Audit (England) Regulations 2015 section require that: a relevant authority must ensure that it has a sound system of internal control which—facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.

7.2 Furthermore the Director of Finance has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs.

7.3 Counter Fraud practices set out in this report address the need to counter fraud, money laundering, bribery and the proceeds of crime. The Council's policies guide on the investigatory and prosecution process. In formulating the policies it addresses the issue of corruption and bribery. Corruption is the abuse of entrusted power for private gain. The Bribery Act 2010 defines bribery as "the inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages whether monetary or otherwise".

7.4 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against it. We will enhance our provision further by making best use of existing legislation, for example the Proceeds of Crime Act 2002, to ensure that funds are recovered, where possible by the Council.

8. Other Implications

8.1. Risk Management – Counter Fraud activity is risk-based and therefore support effective risk management across the Council.

8.2. No other implications to report

9. Public Background Papers Used in the Preparation of the Report: None

10. Appendices None

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Audit and Standards Committee - Work Programme 2024/25

Chair: Councillor Princess Bright

Meeting	Agenda Items	Lead Officer	Reports deadline
8 October 2024	<p>Updates on the 2019/20, 2020/21, 2021/22 and 2022/23 Accounts Publication of the draft 2023/24 Council Statement of Accounts and external Audit update</p> <p>Information Governance Annual Report</p> <p>Gifts and Hospitality Registers Review and new Sponsorship report Standards Complaints update (if necessary)</p> <p>2023/24 Annual Governance Statement Internal Audit 2023/24 Q1/2 Review Counter Fraud 2023/24 Q1/2 Review Review of Key Counter Fraud Policies & Strategy 2024 Committee ToR Review (Subsidiary companies accounts)</p>	<p>BDO</p> <p>Grant Thornton</p> <p>Christopher Martin/Danielle Bridge</p> <p>Paul Feild</p> <p>Paul Feild</p> <p>Christopher Martin Christopher Martin Christopher Martin Christopher Martin Jo Moore/Stephen Warren</p>	5pm, Thursday 26 September
15 January 2025	<p>2023/24 Council Statement of Accounts external Audit update Standards Complaints update (if necessary) Corporate Risk Register update Internal Audit Q3 update Counter Fraud Q3 update</p>	<p>Grant Thornton</p> <p>Paul Feild Christopher Martin Christopher Martin Christopher Martin</p>	5pm, Thursday 2 January
1 April 2025	<p>2023/24 Council Statement of Accounts external Audit update Standards Complaints update Internal Audit Charter, Strategy & Plan 2025/26</p>	<p>Grant Thornton</p> <p>Paul Feild Christopher Martin</p>	5pm, Thursday 20 March

Note: Additional meeting to be arranged to sign-off the 2019-20, 2020-21, 2021-22 & 2022-23 Accounts. (Date TBC) – Jo Moore/BDO