

**Notice of Meeting**

**AUDIT AND STANDARDS COMMITTEE**

**Wednesday, 12 October 2022 - 7:00 pm  
Council Chamber, Town Hall, Barking**

**Members:** Cllr Princess Bright (Chair); Cllr Rocky Gill (Deputy Chair); Cllr Dorothy Akwaboah, Cllr Josie Channer, Cllr Manzoor Hussain, Cllr Adegboyega Oluwole and Cllr Muazzam Sandhu

**Independent Member** (for audit matters only): Stephen Warren

**By Invitation:** Lisa Blake, Kirsty Slater, Duncan Wallace and Ash Ahmed

Date of publication: 4 October 2022

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**AGENDA**

- 1. Apologies for Absence**
- 2. Declarations of Interest**
- 3. Minutes - To confirm as correct the minutes of the meetings held on 20 July 2022 (Pages 3 - 12)**
- 4. Standards Complaints Update (Pages 13 - 15)**
- 5. Audit Accounts 2019/20 Status Report (Pages 17 - 30)**
- 6. Work Programme 2022/23 (Pages 31 - 32)**

**7. Any other public items which the Chair decides are urgent**

## Our Vision for Barking and Dagenham

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

## Our Priorities

### **Participation and Engagement**

- To collaboratively build the foundations, platforms and networks that enable greater participation by:
  - Building capacity in and with the social sector to improve cross-sector collaboration
  - Developing opportunities to meaningfully participate across the Borough to improve individual agency and social networks
  - Facilitating democratic participation to create a more engaged, trusted and responsive democracy
- To design relational practices into the Council's activity and to focus that activity on the root causes of poverty and deprivation by:
  - Embedding our participatory principles across the Council's activity
  - Focusing our participatory activity on some of the root causes of poverty

### **Prevention, Independence and Resilience**

- Working together with partners to deliver improved outcomes for children, families and adults
- Providing safe, innovative, strength-based and sustainable practice in all preventative and statutory services
- Every child gets the best start in life
- All children can attend and achieve in inclusive, good quality local schools
- More young people are supported to achieve success in adulthood through higher, further education and access to employment
- More children and young people in care find permanent, safe and stable homes
- All care leavers can access a good, enhanced local offer that meets their health, education, housing and employment needs
- Young people and vulnerable adults are safeguarded in the context of their families, peers, schools and communities

- Our children, young people, and their communities' benefit from a whole systems approach to tackling the impact of knife crime
- Zero tolerance to domestic abuse drives local action that tackles underlying causes, challenges perpetrators and empowers survivors
- All residents with a disability can access from birth, transition to, and in adulthood support that is seamless, personalised and enables them to thrive and contribute to their communities. Families with children who have Special Educational Needs or Disabilities (SEND) can access a good local offer in their communities that enables them independence and to live their lives to the full
- Children, young people and adults can better access social, emotional and mental wellbeing support - including loneliness reduction - in their communities
- All vulnerable adults are supported to access good quality, sustainable care that enables safety, independence, choice and control
- All vulnerable older people can access timely, purposeful integrated care in their communities that helps keep them safe and independent for longer, and in their own homes
- Effective use of public health interventions to reduce health inequalities

## **Inclusive Growth**

- Homes: For local people and other working Londoners
- Jobs: A thriving and inclusive local economy
- Places: Aspirational and resilient places
- Environment: Becoming the green capital of the capital

## **Well Run Organisation**

- Delivers value for money for the taxpayer
- Employs capable and values-driven staff, demonstrating excellent people management
- Enables democratic participation, works relationally and is transparent
- Puts the customer at the heart of what it does
- Is equipped and has the capability to deliver its vision

## **MINUTES OF AUDIT AND STANDARDS COMMITTEE**

Wednesday, 20 July 2022  
(7:00 - 9:15 pm)

**Present:** Cllr Princess Bright (Chair), Cllr Rocky Gill (Deputy Chair), Cllr Dorothy Akwaboah, Cllr Josie Channer, Cllr Manzoor Hussain, Cllr Muazzam Sandhu and Cllr Adegboye Oluwole; Stephen Warren

**Also Present:** Stephen Warren, Independent Advisor

**Apologies:** Cllr Dominic Twomey

### **1. Declarations of Interest**

The Independent Advisor (IA) disclosed that he was engaged as a consultant to Public Sector Audit Appointments (PSAA) which appoints the Council's external auditor. The IA disclosed that he was advising on the financial evaluation on the forthcoming tender and the potential impact on the time that will be required as a result of changes in auditing and accounting standards requirements.

The IA assured the Committee that it did not affect Barking and Dagenham Council or the appointment of an external auditor. The Chair agreed that this was not a disqualifying interest and permitted IA to continue to participate in the meeting.

### **2. Minutes**

The minutes of the meeting held on 7 March 2022 were confirmed as correct.

### **3. Accounts Audit Update - 2019/20**

The Chief Accountant (CA) explained that BDO representatives had sent their apologies and that he would instead address the Committee.

The CA apologised to the Committee for the latest delay to the audit and acknowledged the Committee's frustration, explaining that BDO had diverted resources to NHS audits.

Responding to the Committee, the CA explained that NHS audits, unlike local government audits, had a fixed timeline and stressed that it was not the case that BDO had chosen to give them priority over the Council. The Chair acknowledged this but noted that whilst BDO had indicated that it was prioritising NHS audits, they had also stated that such audits would be concluded by May 2022. The Chair noted that it was now the end of July and that the NHS was still being used as justification.

The CA emphasised that there was a crisis in local authority auditing and Barking and Dagenham Council was not the only council affected. The current appointment of BDO would conclude in 2023 and a new auditor could be appointed then.

The Chair said that the latest delay was particularly frustrating as the Committee had been provided with the draft Audit Report for 2019/2020 at the previous meeting of the Committee that took place on 7 March 2022 adding that, whilst one member of the audit team had resigned from BDO, assurance had been given that the timelines would be kept.

The CA proposed that a meeting take place every two weeks with the Chair, Independent Advisor, the Section 151 Officer and himself to ensure that the Chair would be updated on all issues. The CA cautioned that, in relation to infrastructure, there was still an ongoing national issue that BDO would not be able to resolve on their own. The CA suggested that an additional Committee meeting take place in September 2022 to review the 2019/2020 audit report and to use the next scheduled meeting in October 2022 to consider the audit plan for 2020/2021.

The Head of Law (HoL), responding to the Committee, said that she could not provide legal advice in relation to the responsibilities of the Section 151 Officer, without speaking to the officer in relation to the issues around BDO. The HoL stated that a public meeting would not be the appropriate forum to do this; however, she did say that it could be discussed offline.

The Committee thanked the CA for stepping in following BDO's absence and noted the report.

#### **4. Internal Audit Charter, Strategy and Plan for 2022/23**

The Head of Assurance (HoA) updated the Committee. The Internal Audit Charter was the overarching governance document for internal audit and, whilst an annual review was not legally required, the policy of the Council was to review the charter on an annual basis. The HoA highlighted that the only change referred to operational arrangements was that the HoA would now report to the Section 151 Officer, rather than the Monitoring Officer.

The Internal Audit Strategy, in contrast did require an annual review, as it was an operational document. Material changes to the document had been made to provide further clarity on the power to summon Heads of Services to the Assurance Group and the Audit and Standards Committee, where satisfactory progress was not being made in the implementation of agreed recommendations.

Following questioning, the HoA explained that he had a statutory right of access to all officers and therefore the refusal to adhere to a summons would constitute a disciplinary offence.

In relation to health and safety, the Council was subject to an adverse audit report by an independent housing stock management company, which resulted in substantial revisions of health and safety in properties managed by MyPlace.

In relation to the Audit Plan, the HoA emphasised that the Council had limited internal audit resources, equivalent to 865 days, and therefore an understanding of the auditable areas of the Council was necessary when drawing up the internal Audit Plan. The HoA added that the Council did rely on firms to undertake internal audit as it was challenging to recruit in-house internal auditors. An internal audit apprentice scheme had been established and it was hoped that, in time, it would

increase the Council's audit resources.

The HoA explained that risks could be:

- Organisational Risk, relating to the likelihood of failing to achieve the Council's objectives; and
- Inherent Risk, relating to the activity and potential problems that may occur.

Discussions had taken place with directors, senior managers, heads of services, at the Council's Assurance Group and with internal auditors at other councils. Previous plans, as well as reports by relevant external sources, such as Ofsted, were also consulted.

The HoA also reminded the Committee that the internal audits could vary as risks and priorities change.

The Committee agreed to approve the Audit Charter, the Audit Strategy and the Audit Plan for the fiscal year 2022/2023.

## **5. Internal Audit Annual Report 2021/22**

The report outlined the work undertaken between 1 April 2021 to 30 March 2022. The public sector internal audit standards required the HoA, as the responsible officer, to provide an annual opinion based on the Council's system of internal control. The HoA disclosed that internal control systems were generally satisfactory, with some improvements required. The HoA also disclosed that:

- 52 Audits were agreed at the start of the plan and the same number took place;
- Five audit topics were changed during the year; and
- 44 of the audits were at draft report stage by 31 March 2022, which marginally exceeded the target of 80%.

The target of having 100% of the audits reported by 31 May 2022 was not achieved. The figure was 98%. This was owing to the late addition of an audit to the plan.

All the internal audit reports gave different levels of assurance. Most reports were classed as providing 'substantial assurance' or 'reasonable assurance.' However, the HoA cautioned that 11 reports gave 'limited assurance' and two were rated as 'no assurance.'

The HoA explained that the two audits that were rated 'no assurance' related to issues with sub-letting leaseholders, housing repairs and maintenance. In relation to sub-letting leaseholders, there was concern in relation to the quality and reliability of data. The Council's insurer required accurate data on the number of sub-letting leaseholders and, where this was not up to date, there could be repercussions for the Council in the event of a claim.

The audit also established that there was no policy or register in relation to the registration of sub-letting leaseholders, and that no new sub-letting leaseholders had been registered since March 2020. Following the audit, it was agreed that a

protocol be drafted to create a framework for the collation and sharing of information between departments, requiring good quality data on sub-letting leaseholders. The protocol had since been drafted and work was under way to implement this.

In relation to housing repairs and maintenance, productivity and customer satisfaction metrics were lower than in comparable services. There had also been an increase in the backlog of repairs and maintenance. In addition to this, there had been issues with the quality of repairs and maintenance.

The HoA acknowledged, following questioning, that the September 2020 deadline for addressing the 'no assurance' audits was challenging, but added that the timescales were set following discussion with managers. If the issues had not been addressed by the deadline, and there was no good reason, officers could be summoned to the Assurance Group or to the Audit and Standards Committee to explain themselves.

The Chair noted that the parking legislation review audit, which dealt with the roll out of controlled parking zones (CPZs), cited a lack of benefits realisation as a high risk. Noting that the roll out of CPZs was controversial, the Chair asked that the HoA update the Committee at its next meeting on 12 October 2022, on the outcome of the actions.

The Committee expressed concern at the problems identified in the audit of William Ford School, particularly noting:

- The lack of key financial information;
- The absence of governance-related information;
- The lack of control processes; and
- That training had been postponed on numerous occasions.

The Committee sought clarification as to how these issues would be addressed. The HoA indicated that communications had been undertaken with the Director of Education and the Director of Finance. The Assurance Group had also been notified, meaning that the Council's senior officers had been made aware of the problems. The School had worked with internal audit on actions needed to address the issues raised and a new audit would take place to ensure that the action plan had been implemented and adhered to. As the Council's internal audit priorities were risk-based, William Ford School would continue to be subject to enhanced oversight.

The HoA stated that the Committee would receive a further update at the next meeting on 12 October 2022.

The Committee noted the update.

## **6. Counter Fraud Annual Report 2021/22**

The HoA updated the Committee. The report covered 1 April 2021 to 31 March 2022.

The Counter Fraud team was divided into two sections: one dealing with fraud



relating to the Council's housing stock whilst the other section dealt with all non-housing related fraud. The HoA disclosed that there had been an increase in referrals to the Counter Fraud Team and the number of cases accepted had also increased. This was, in part, due to an expansion in resources. The HoA was unable to discuss the specifics of referrals received due to legal reasons.

The first criminal prosecution, since the direct funding of a solicitor to assist the Counter Fraud Team in their casework, had taken place. The case related to a tenant who was subletting a two-bedroom council property; the Counter Fraud Team discovered that the tenant was living in Wakefield, West Yorkshire, and had never actually moved into the property.

The Chair asked what controls were in place to detect tenants who were subletting a council property. The HoA explained that the Council undertook publicity campaigns to educate the public on the effects of subletting, emphasising that it was not a victimless crime and that the Council encouraged whistleblowing. The HoA noted that, in relation to the tenant who was living in Wakefield, a member of the local community reported their suspicions to the Council.

In addition to this, the Counter Fraud team used data matching software to compare tenancy records with other information held by the Council such as council tax records. Where these did not match, a preliminary investigation would be undertaken. A risk based proactive approach to fraud was taken. The HoA explained that properties in certain areas, such as those near railway stations, were more likely to be sublet as they could command a rent much higher than the Council charged.

The Committee noted that this would not address those tenants who sublet part of their property. The HoA responded that there were circumstances where tenants could sublet part of their property, where the tenancy agreement permits it. Agencies undertook checks to ensure that council properties were not let, and the HoA disclosed that agencies had previously notified the Council of attempts by tenants to sublet their home.

In response to questioning regarding Council data, the HoA explained that the Counter Fraud team focused on investigating subletting and other tenancy-related fraud. Where other types of fraud were suspected, such as benefit fraud, the relevant party, such as the Department of Work and Pensions, would be informed.

The HoA clarified that the person who occupied a sub-let property was not committing a crime and may not be aware that the property was being sub-let. Criminal responsibility rested with the tenant who had sublet their council property. The HoA acknowledged that, when the Council repossessed a sub-let property, it could result in the occupier losing their home and could lead to the occupier being homeless. However, the Council would address potential issues based on the specifics of the case and any legal requirements.

Following further questioning, the HoA disclosed that the Council was also participated in the National Fraud Initiative which involved data matching with other local authorities. There was also a London Borough Fraud Investigators Group which shared information on strategies to detect fraud and incidences of fraud.

Overall, six properties were recovered from tenants who were not entitled to them, saving the Council circa £500k in rental payments and enabling the Council to rent these properties to tenants who were entitled to them.

The Committee asked that a report be presented outlining how the Council dealt with occupants of sub-let properties.

The Committee noted the update.

## **7. Information Governance Annual Report**

The Complaints and Information Officer (CIO) updated the Committee.

The number of corporate complaints increased by 55% during 2021-2022 compared to 2020-2021. It was also 29% higher than the period 2019-2020.

In 2020, the Council upheld 50% of complaints whilst that figure had fallen to 36% in 2021. The CIO highlighted that, when considering that the total number of complaints rose by 50% year on year, the reduction in the percentage of upheld complaints showed that the Council was driving continuous improvement.

71% of complaints were responded to within the agreed timescales of ten days, which was less than the target of 90%.

The CIO noted that 19% of the complaints which were submitted related to the refuse service and missed bin collections. The Council's policy was to uphold complaints unless there was sufficient evidence to suggest that the missed collection was the fault of the complainant. Of the 1,659 upheld complaints, 624 related to missed bin collections, meaning that only 1,035 complaints had been upheld against other services.

The CIO stressed that the Council continued to strive to learn from the complaints data. As part of this, the Customer Feedback team had set up improvement meetings involving key service areas which received a high level of complaints. The CIO cited, as an example, the meetings which were held with BD Group, which focused on learning from complaints and turning this learning into service improvements. The CIO then cited the example of BD Group implementing an internal tracker which considered all aspects of a complaint and the root causes for the complaint being raised. This key information was used to track key service areas which were generating high levels of complaints compared against the others. The complaints data illustrated recurring patterns:

- Delays in appointments occurring;
- Follow-on works not been scheduled; and
- Dissatisfaction with the works undertaken.

These themes remained consistent year on year and remained a topic of conversation into how the BD Group could address concerns using the tools in place currently, whilst considering what additional steps needed to be taken to ensure these themes were addressed fully. The CIO cited, as an example, the work undertaken to employ more multi-skilled tradespeople who could attend jobs and undertake more than one service, allowing for jobs to be completed faster.

The Chair, noting the progress that had been made in relation to tradesmen keeping to appointments, emphasised that greater focus was required on the quality of the work and asked for feedback on action that was being taken to monitor work quality.

In relation to Be First, most complaints related to delays within Building Control and functional problems with the Planning Portal. Of the complaints received for Be First:

- 65% were answered within the timescale of 10 days;
- 36% were not upheld;
- 11% were partly upheld;
- 19% were upheld; and
- 11% were withdrawn.

The CIO then discussed complaints against Community Solutions, which included revenues and benefits as well as housing allocations.

The CIO explained the reasons for the rise in complaints in 2021-2022. In 2020-2021, Revenues and Benefits were fully integrated into the Council from Elevate. Additionally, the change in support, via various grants and legislation under Covid-19 being withdrawn, meant more contact was being made. For example, the ability to apply for furlough officially ended in September 2021 meaning residents, regardless of working status, received no additional funds but were still expected to pay council tax and rent. As a result, levels of dissatisfaction rose during this period.

Complaints over housing allocation and the time taken to get allocated was an ongoing theme and mostly related to the wait for appropriate housing. Those who bid for housing would often complain when they were not successful and complain that they were having to wait extended periods of time. In terms of complaints:

- 80.1% were answered within the timescale of 10 days;
- 5.8% were not upheld;
- 16.9% were partly upheld;
- 21.5% were upheld;
- 1.5% were resolved at first point of contact; and
- 9.2% were withdrawn.

The CIO then discussed Core Services, which included parking and street enforcement as well as leisure centres. In relation to leisure centres, complainants were directed to the centres.

Enforcement Services generated the largest number of complaints. The CIO cautioned that this was not unusual as they were responsible for services that tended to generate controversy, such as parking and street enforcement. In 2021-2022, complaints rose by 104.4%.

The CIO said that the Customer Feedback Team had been working with parking services directly, refining the process on what constituted a complaint. Parking had several legal procedures which needed to be followed by those who received a

penalty, and so complaints had to be dealt with subject to the relevant piece of legislation. In terms of complaints:

- 21.9% were upheld;
- 15.9% were partly upheld;
- 49.2% were not upheld;
- 0.5% were resolved at first point of contact; and
- 6.4% were withdrawn

The CIO then briefly discussed Members' casework. There was an increase of 3% in casework received during 2021-2022. 78% of casework was answered within the timescale of ten working days. This was below the Council's target of 90%.

The Chair noted that she often had to follow up with the casework owing to responses not being forthcoming. The CIO responded that weekly reports, showing the status of enquiries, were automated and sent out on Mondays to team managers. This method helped services to focus on all cases which remained open across the system. Chaser emails were sent out on the seventh and tenth days. Where the response was not forthcoming by the tenth day, an email would be sent to the Councillor informing them that the response would be delayed. However, there had been issues and the Chair's concerns would be fed back.

The Chair suggested that weekly reports, sent to Directors and Team Managers, should also be shared with Councillors and asked that this also be fed back to the Head of Customer Contact.

A significant increase of 16.8% in complaints was reported for My Place from 2020. The CIO explained that this was not surprising as it covered a vast number of services which residents utilised, such as street cleansing, refuse and landlord services.

The CIO said that Freedom of Information (FOI) requests had risen by 16% across the Council. Subject Access Requests had risen by 36%, with many requests relating to adult and children's social care files.

Responding to questioning, the CIO said that FOI responses were published on the Council's website. At present, there was no process to inform a Councillor of an FOI that related to their ward.

The Committee expressed concern that, of the 12 complaints that reached the Local Government Ombudsman, 11 were upheld. The Committee also expressed caution on the use of comparative data with neighbouring boroughs, as they had larger populations.

The Council's target of responding to 90% of complaints within 10 days was also discussed with the Committee, which questioned whether this was a realistic timeframe given that no department was able to achieve it. The Committee also noted that the timeframe had resulted in formal responses which were unsatisfactory, vague, contained spelling errors or had poor grammar.

The Committee also requested statistics in relation to the processing and outcomes of complaints, that were subject to statutory procedures, relating to Adult

Social Care, Children's Social Care, Schools, Councillors and reports of fraud.

The CIO explained that complaints may cover several different services and so the responses were collated from different departments. The Customer Feedback Team would notify the relevant services, as well as collate the responses and forward these to Members. However, the CIO acknowledged that some responses had fallen short of the quality requirements.

The Committee noted the report.

## **8. Standards Complaints update**

The HoL updated the Committee. There were three active complaints against Councillors in relation to purported breaches of the Code of Conduct. The complaints were made by the same person in May 2022.

In response to questioning, the HoL clarified that the complaints were still at the preliminary stage and no decision had been made on whether a formal hearing would be required. The HoL also clarified that there were no statutory timescales in relation to addressing the complaints, but it was in the interests of all parties that the Council investigate the complaint as quickly, but also as carefully, as possible.

The Committee noted the update.

## **9. Work Programme 2022/23**

The Committee noted the work programme.

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**AUDIT AND STANDARDS COMMITTEE**

12 October 2022

<b>Title: Complaints Update</b>	
<b>Report of the Monitoring Officer</b>	
<b>Open Report</b>	<b>For Information</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
<b>Report Author:</b> Dr. Paul Feild Principal Standards & Governance Lawyer	<b>Contact Details:</b> Tel: 0208 227 2638 E-mail: <a href="mailto:paul.feild@lbbd.gov.uk">paul.feild@lbbd.gov.uk</a>
<b>Accountable Director:</b> Alison Stuart, Chief Legal Officer and Interim Monitoring Officer	
<b>Accountable Strategic Leadership Director:</b> Fiona Taylor, Interim Chief Executive	
<p><b>Summary:</b></p> <p>This report is to provide the Committee with an update of complaints against Members of the Council, their status, outcome and actions taken.</p> <p>On 1 July 2012 the Assembly adopted, as required by the Localism Act 2011, a new local Code of Conduct and Complaint Procedure.</p> <p>In accordance with the Code, the Monitoring Officer conducts an initial assessment of complaints about Members of the Council against approved criteria and may consult with the Independent Person and try to resolve matters informally if possible or appropriate. If the complaint requires further investigation or referral to the Audit and Standards Committee there may still be a hearing of a complaint before its Sub-Committee.</p> <p>At the time of this report, there are no active Complaints.</p>	
<p><b>Recommendation(s)</b></p> <p>The Audit and Standards Committee is recommended to note the report.</p>	
<p><b>Reason(s)</b></p> <p>For continued good governance and to ensure that the Standards Committee is aware of complaints against Members of the Council.</p>	

**1. Options Appraisal**

1.1 This report is for information only.

**2. Consultation**

2.1 This report is for information only.

### **3. Financial Implications**

3.1 There are no financial implications associated with this report.

### **4. Legal Implications**

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

4.1 It is a legal requirement that the Council promotes and maintains high standards of conduct by Members and Co-opted Members of the authority. The Audit and Standards Committee contributes to this duty by receiving reports from the Monitoring Officer and assessing the operation and effectiveness of the Code of Conduct for Members. Additionally, the Committee advises on training of Members on matters relating to the Code as well as receiving referrals from the Monitoring Officer into allegations of misconduct in accordance with the authority's assessment criteria.

4.2 This report furthers those objectives by providing timely updates to the Audit and Standards Committee with regard to the operation of the Code of Conduct.

### **Background Papers Used in the Preparation of the Report:**

- The Council Constitution

**List of appendices: Appendix A – Schedule of Complaints received.**



**Member Complaints – Monitoring Officer Rolling Record**

Ref:	Receipt of Complaint	Member	Complainant	Nature of Complaint	Investigation	Standards Hearing	Outcome	Status (Open/closed)
MC 1/22	May 2022	Single Member	Member of Public	Code of Conduct – Parking Issues	Fact finding process	No	Complaint dismissed by Monitoring Officer as it was not in the public interest to proceed under the Councillors Code of Conduct. Decision made following consultation with a Council appointed Independent Person under the Localism Act 2011. Reason being the Complaint related to a point in time more than 3 months old, there was no evidence, and it was vexatious. Note Complaints MC 1/2/3/4 of 2022 same complainant.	Closed
MC 2/22	May 2022	Single Member	Member of Public	Code of Conduct – Parking Issues	Fact finding process	No	Complaint dismissed by Monitoring Officer as it was not in the public interest to proceed under the Councillors Code of Conduct. Decision made following consultation with a Council appointed Independent Person under the Localism Act 2011. Reason being the Complaint related to a point in time more than 3 months old, there was no evidence, and it was vexatious. Note Complaints MC 1/2/3/4 of 2022 same complainant.	Closed
MC 3/22	May 2022	Single Member	Member of Public	Code of Conduct – Parking Issues	Fact finding process	No	Complaint dismissed by Monitoring Officer as it was not in the public interest to proceed under the Councillors Code of Conduct. Decision made following consultation with a Council appointed Independent Person under the Localism Act 2011. Reason being the Complaint related to a point in time more than 3 months old, there was no evidence, and it was vexatious. Note Complaints MC 1/2/3/4 of 2022 same complainant.	Closed
MC 4/22	July 2022	All Members	Member of Public	Code of Conduct – Parking Issues	Fact finding process	No	Complaint dismissed by Monitoring Officer as it was not in the public interest to proceed under the Councillors Code of Conduct. Decision made following consultation with a Council appointed Independent Person under the Localism Act 2011. Reason being the Complaint related to a point in time more than 3 months old, there was no evidence, and it was vexatious. Note Complaints MC 1/2/3/4 of 2022 same complainant.	Closed
MC 5/22	August 2022	Single Member	Member of Public	Code of Conduct – Disclosable Pecuniary Interests	Fact finding process	No	Complaint dismissed by Monitoring Officer as it was not in the public interest to proceed under the Councillors Code of Conduct on the grounds of no evidence of any breach.	Closed

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**AUDIT AND STANDARDS COMMITTEE****12 October 2022**

<b>Title:</b> Audit Accounts 2019/20 Status Report	
<b>Report of the Chief Financial Officer</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> No
<b>Report Author:</b> Yusuf Olow, Senior Governance Officer	<b>Contact Details:</b> E-mail: <a href="mailto:Yusuf.Olow@lbbd.gov.uk">Yusuf.Olow@lbbd.gov.uk</a>
<b>Accountable Director:</b> Philip Gregory, Chief Financial Officer (Section 151 Officer)	
<b>Accountable Strategic Leadership Director:</b> Philip Gregory, Chief Financial Officer (Section 151 Officer)	
<b>Summary</b>  This report informs the Committee on the status of the external audit of the Council's Statement of Accounts 2019/20 and that of the Pension Fund.	
<b>Recommendation(s)</b>  The Audit and Standards Committee is recommended to note the contents of this report.	
<b>Reason(s)</b>  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	

**1. Introduction and Background**

- 1.1 The external audit of the Council's Statement of Accounts 2019/20 has been subject to numerous delays. At the last meeting of the Committee in March 2022, an Interim Audit Completion Report was presented by BDO. However the final report was not submitted as there remained outstanding issues, particularly in relation to group accounting, the valuation of property, plant and equipment and accounting for infrastructure assets. At the last meeting in July 2022, the Committee expressed concern at the delay and the lack of representation from BDO.
- 1.2 The enclosed Audit Status Report outlines the primary reasons for the delay, and the challenges faced, and the outline timetable for completion.

**2. Financial Implications**

*Implications completed by: Thomas Mulloy, Chief Accountant*

- 2.1 Other than the audit fees previously mentioned in the Audit Plan, there are no financial implications arising from the report.

### **3. Legal Implications**

*Implications completed by: Dr Paul Feild, Senior Governance Lawyer*

- 3.1 The Chief Financial Officer has a statutory duty, under Section 151 of the Local Government Act 1972, to ensure that there are proper arrangements in place to administer the Council's financial affairs. An essential component of sound administration is a sound audit function.
- 3.2 The Local Audit and Accountability Act 2014, established a new audit regime. Local Authorities must appoint a local auditor which in carrying out its' role must be satisfied that the authority has:
- made proper arrangements for securing economy, efficiency and effectiveness in its use of resources;
  - in its accounts comply with the requirements of the enactments that apply to them;
  - observed proper practices in the preparation of the statement of accounts and that the statement presents a true and fair view.
- 3.3 This is supported by the Code of Audit Practice, published by the NAO, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

**Public Background Papers Used in the Preparation of the Report: None**

Report to the Audit and Standards Committee

# LONDON BOROUGH OF BARKING AND DAGENHAM

Audit status report: year ended 31 March 2020

IDEAS | PEOPLE | TRUST



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# INTRODUCTION

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This audit status report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two-way communication throughout the audit process with those charged with governance.

It follows our Interim Audit Completion Report presented to the March 2022 meeting of the Audit and Standards Committee (ASC).

Since the March meeting, there have been some notable changes to the audit team, with Kirsty Slater taking on the role of Audit Manager and the addition of Duncan Wallace, Assistant Manager, to the senior team responsible for completing the 2019/20 audit.

Lisa Blake

30 September 2022



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit and Standards Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.



# OVERVIEW

## Executive summary

### Overview

Since presenting our last report to the Audit and Standards Committee (ASC) on 7 March 2022, we have no new audit matters arising to bring to your attention. You will know, however, from that interim report that we have identified material misstatements in the draft 2019/20 Statement of Accounts received for audit, a notable number of other non-trivial misstatements, non-compliance with the CIPFA/LASAAC accounting and reporting Code, significant deficiencies in the Council's internal controls and further improvements needed in respect of the quality assurances processes applied to the draft accounts, the working papers provided in support of those accounts and the accuracy/appropriateness of evidence provided in response to audit queries. Property, Plant and Equipment (PPE) valuation and group accounts consolidation, in particular, are two significant aspects of the Council's audit which have been the most troublesome and not well-prepared for audit.

The above has contributed significantly to the extended time it is taking to complete the audit.

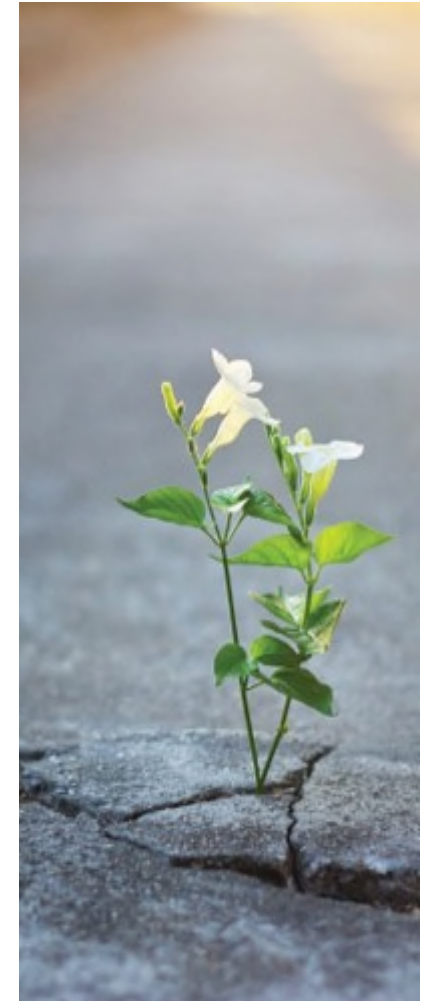
We continued to progress our work in March and April 2022, as was agreed, but highlighted in June 2022 meetings with the Chair of the ASC, the Strategic Director, Finance & Investment (S151 Officer) and the Chief Accountant that we continued to experience difficulties obtaining satisfactory evidence to support the audit and scheduled for more work to be completed in July 2022.

In July 2022 we experienced the extended sickness absence of the then Audit Manager who did not return to work until a few days before leaving BDO. During the July 2022 booking, the team members continued to progress the audit fieldwork, in particular responding to points raised through senior team review processes. In September 2022 more senior team members returned to progress group accounts consolidation and PPE.

Going forward, Kirsty Slater, the Manager already planned to undertake the 2020/21 audit, has assumed responsibility for the completion of the 2019/20 audit. The handover had been planned on the assumption that the 2019/20 audit would have been completed, so also taking on this completion causes a clash with Kirsty's pre-existing commitments to other audited entities. Kirsty, supported by Duncan Wallace, has already undertaken a 'stock take' review of both the Council and Pension Fund audit files to ascertain the audit status and secure the right resources required to complete. There are also further manager-level reviews of detailed field work which need to be completed, but have not yet due to the pre-existing commitments.

A brief summary of the matters previously reported to the ASC is included on pages 5 to 8 of this status report. We have not repeated the detail of the matters arising as it has not changed notably since we reported them fully in March 2022. The final results of the audit will be reported in detail in our Audit Completion Report.

The reporting timeline, based on the current configuration of resources secured for the completion of the audit, is outlined on page 10. We have also included, on page 9, a summary of the latest information we have on the national issue being reviewed on the accounting treatment and audit of infrastructure assets within the Council's balance sheet.





# THE NUMBERS

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### Final materiality

Group and Council materiality was determined based on benchmark of 1.4% of gross expenditure.

Group materiality was determined at £13.5 million. We have increased our single entity materiality from £12.5 million to £12.7 million as a result of an increase in expenditure.

### Material misstatements

In March 2022 we reported that our audit had identified the following material misstatements to date, all of which will be corrected by management:

- Other land and buildings were overstated by £27.4m due to double counting of assets for Hewett Road Roding Primary School and Fanshawe College.
- Reversal of £49.7m of recharges from general expenditure to support services as supporting evidence could not be provided for this.

- Reclassification of £10.7m balance with the Pension Fund from cash and cash equivalents to short term investments due to not meeting the definition for cash and cash equivalents.

No further material misstatements have been identified since.

We also reported that we had identified several misstatements below our materiality threshold which management has adjusted for.

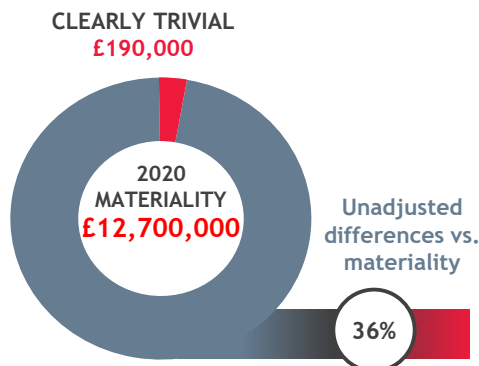
The cumulative impact on the finance statements for these issues, is to reduce the deficit on the provision of services for the year by £748k and to decrease the net surplus in Total income and expenditure by £26.7m.

### Unadjusted audit differences

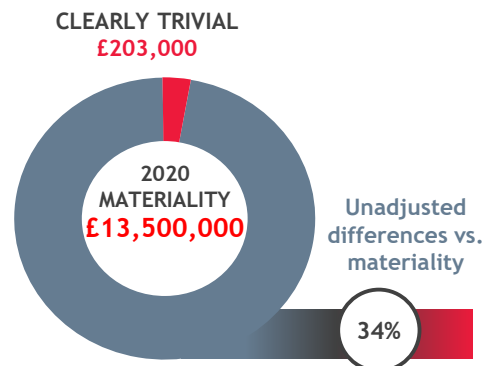
To date we have identified other unadjusted audit differences that, if posted, would increase the deficit on the provision of services for the year by £1.6m. We also identified audit differences relating to misclassification errors with an absolute value of £2.6m which management does not intend to adjust.

The impact of unadjusted differences in the current year and roll forward of prior year differences has resulted in an overstatement of the deficit on the provision of services for 2020/21 of £4.6 million for the Council.

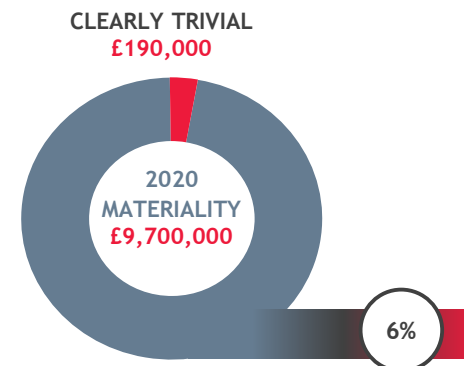
### Council materiality



### Group materiality



### Pension Fund materiality



# OTHER MATTERS

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### Financial reporting

- We have identified non-compliance with Group accounting policies and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 in respect of classification of assets and impairment of receivables. This relates to £7.9m of HRA assets which were misclassified as Assets Under Construction in 2018/19 but should have been transferred to HRA assets. This has been transferred in 2019/20. In addition, the impairment allowance for council tax and NNDR was not based on historical collection rates which has resulted in an understatement of the NNDR provision of £2.0m.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- The Narrative Report and other information included in the Statement of Accounts with the financial statements is consistent with the financial statements and our knowledge acquired in the course of the audit. The final check of the figures within the Narrative Report to the accounts is to be completed.
- The Annual Governance Statement complies with relevant guidance and is not inconsistent or misleading with other information we are aware of.

### Other matters

We highlighted significant deficiencies in controls relating to:

- Employee contracts
- Loan interest workings
- Logical access controls to key systems eg AIM cash management, Controcc, Lloyds bank, Oracle and Capita Housing systems

### Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Council and the Group in accordance with the Financial Reporting Council's (FRC's) Ethical Standards.



# AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated 8 January 2021 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. We subsequently included a further risk relating to non current asset disposals. These include those risks which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team.


There have been no notable changes since we reported to you in March 2022.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported	Discussion points / Letter of Representation
Management override of controls	Significant	Yes	No	None to date	No	No
Revenue recognition - Grants received in advance	Significant	Yes	No	Yes, unadjusted	No	No
Expenditure cut-off	Significant	No	No	Yes, unadjusted	No	No
Valuation of non-current assets	Significant	Yes	Yes	Yes, adjusted (work ongoing)	Yes	Yes
Valuation of pension liability	Significant	Yes	Yes	None to date	No	Yes
Group Accounts	Significant	Yes	No	None to date	No	No
Property, Plant and equipment: additions	Significant	No	No	Yes, unadjusted (work ongoing)	No	No
Assets under construction	Significant	No	No	Yes, unadjusted	No	No
Debtors	Significant	Yes	No	Yes, adjusted	No	Yes
Creditors	Significant	Yes	No	Yes, unadjusted	No	No

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## Audit risks overview continued

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported	Discussion points / Letter of Representation
Allowance for receivables	Normal	Yes	No	Yes, adjusted	Yes	Yes
Going concern	Normal	Yes	No	No	No	Yes
Sustainable finances (use of resources)	Significant	N/A	No	No	No	No
Non current asset disposals	Significant	No	No	None to date	No	Yes
REFCUS (revenue expenditure funded from capital under statute)	Normal	No	No	No	No	No

 Areas requiring your attention

# ACCOUNTING FOR INFRASTRUCTURE ASSETS

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## Background

Historically it has been generally accepted public sector practice for authorities to not write out the value of replaced highways infrastructure components and/or those components which are fully depreciated from the balance sheet. This practice has recently been highlighted as contrary to the Code requirement that the carrying amount of replaced components be written out of the Balance Sheet. There are various reasons for the historic practice being adopted including; asset registers not recording infrastructure assets with sufficient level of detail to identify individual infrastructure assets or changes to them and processes which drive infrastructure spend (eg condition surveys) not recording historical information relating to previous spend.

London Borough of Barking and Dagenham adopts this common approach to accounting for infrastructure assets. At 31 March 2020 the Council had infrastructure assets in its balance sheet with a net book value of £107.84 million, which is material. Over time, this common approach is likely to have resulted in a material overstatement of gross book value and accumulated depreciation in the notes to the balance sheet and net book value may be materially overstated if infrastructure is being replaced more frequently than useful economic lives suggest.

This issue has been raised nationally with the NAO, CIPFA and all public sector audit suppliers and a task and finish group has been set up by those stakeholders to review the options for addressing this non-compliance. Several meetings have been held and CIPFA ran a consultation process to consider options including (but not limited to):

- Override of certain provisions within the Code and its guidance relating to the accounting for infrastructure assets
- Methods for obtaining missing data/records such that the extent of any misstatement can be reasonably quantified
- Modification of the audit opinion.

## Current status

This matter is not yet resolved but our understanding of the latest position is detailed below.

In respect of the gross book value and accumulated depreciation disclosures, we are anticipating that there will be an override of the existing Code requirement to disclose these amounts in the Statement of Accounts that will simply remove the requirement to do so. This is in the process of being agreed with CIPFA/LASAAC and the Financial Reporting and Advisory Board (FRAB). We understand that there is a FRAB session scheduled later this month to consider the proposed Code changes.

Once agreement has been reached, we understand that the wording of the Code override will be issued as an amendment to the Code, to apply retrospectively back to when IFRS was first introduced in 2010/11 and will be extant until at least 2024/25.

On the matter of the material accuracy of the net carrying value of infrastructure assets, it is anticipated that a direction will be made, by way of a Statutory Instrument, that seeks a way forward on this issue which aims to limit instances of qualification of the accounts.

We have not seen any proposed wording for this Statutory Instrument (which is being drafted by DLUHC and CIPFA/LASAAC) but we expect it will be designed to be retrospective to avoid a rolling qualification on infrastructure asset balances. The Statutory Instrument will need to be approved by Parliament and there is presently no clear timeline on when this might happen, but we know that once it is laid before Parliament it will take 21 days for it to clear that process.

# COMPLETION AND REPORTING TIMELINE

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Our stock take review upon handover from the outgoing audit manager identified that the majority of the audit field work is complete but there are a notable number of senior team review points to clear, some areas of fieldwork that have not yet been subject to manager review and outstanding procedures in some areas, although these are biased toward fieldwork that we would not normally undertake until the completion stages of the audit.

On the next page we have set out the timeline for the completion and reporting of the audit, based on known and secured audit resources. It is important to note, when considering the complete picture of why audits become delayed, that once an original planned audit visit has occurred it becomes increasingly difficult to re-engineer resource planning and maintain core continuity to accommodate extended audits - staff are fully booked throughout the year to a portfolio of audits, with these bookings reflecting seniority, experience and development, so extracting staff from other audits to return to complete additional work on, for example, Barking and Dagenham will have notable impacts on other audits and will regularly involve significant replanning and rescheduling of multiple audits.

Resources are budgeted and booked (and audit fees agreed) taking into account the risk profile of the audited entity and the anticipated impact those risks will have on the audit strategy in terms of the extent and nature of procedures to be undertaken. Reasonable assumptions are made, however, that the draft Statement of Accounts received for audit will be materially accurate, those accounts and supporting working papers will be of good quality (having been subject to rigorous quality review prior to being provided for audit), the Code of Practice for Local Authority Accounting (the Code) will have been complied with and that responses we receive to audit queries are timely, accurate and right first time.

You will know, from the interim report on the audit that we presented to the March 2022 ASC, that many of these assumptions were not met by the Council. A further challenge to the rescheduling of the audit completion is the backlog currently being experienced in the delivery of local government audits nationwide, which has been regularly discussed. In common with other public sector audit suppliers, BDO has its share of delayed audits, for a variety of reasons. In response, the programming of our audits is continually under review.

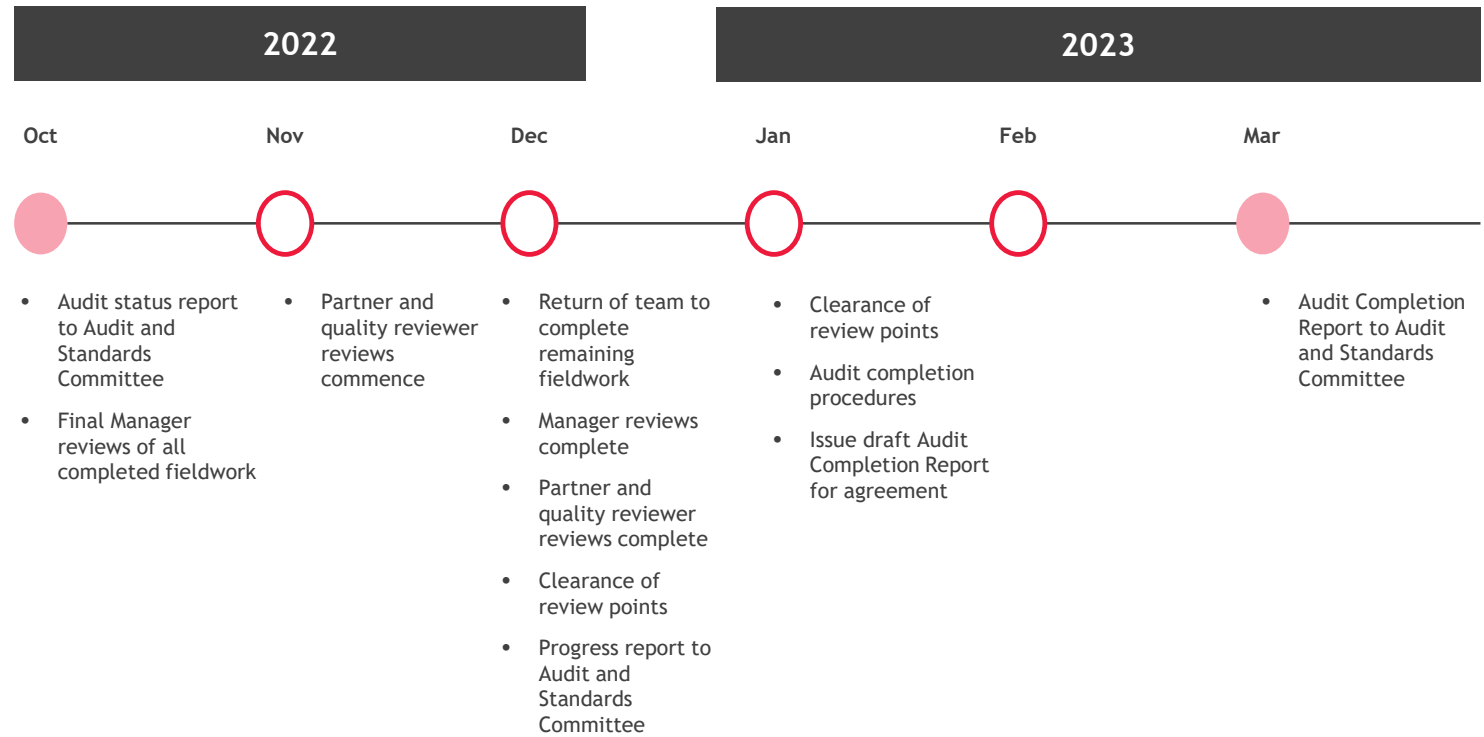
Our priority is currently, predominantly, to allocate our resources to the completion of delayed audits in relative date order e.g. completing all outstanding 2019/20 and 2020/21 audits before allocating resources to 2021/22 audits.

We have taken, and continue to take, a number of strategic measures to improve recruitment and retention of auditors and ease the pressure on public sector audit resources, as well as working to improve the preparedness for audit of the entities we engage with.

Although the timeline set out on page 11 supports commitment to present the final Audit Completion Report to the March 2023 Audit and Standards Committee (as the next scheduled committee after we anticipate issuing our draft report in January 2023), we would like to take this opportunity to assure the ASC that we will continue to work on potential alternative resource options and will alter this timeline if we are able to bring our work further forward and report to the earlier December ASC.

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the audited body and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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## Audit and Standards Committee - Work Programme 2022/23

**Chair: Councillor Princess Bright**

Meeting	Agenda Items	Lead Officer	Reports deadline
6 December 2022	Internal Audit 22/23 Update Counter Fraud 22/23 Review Risk Management Update Standards Complaints update Work Programme	Christopher Martin Christopher Martin Christopher Martin Paul Feild Governance Officer	5pm, 23 November
6 March 2023	Audit Completion Report 2019/2020 Annual Governance Statement Standards Complaints update Work Programme	BDO Christopher Martin Paul Feild Governance Officer	5pm, 24 February

### Rescheduled Items

Audit Completion Report 2019/2020

BDO External Audit Plan 2021/2022

Draft Annual Report of the Audit and Standards Committee

### Meeting dates in the 2022-23 Municipal Year;

- 20 July 2022

- 11 October 2022
- 6 December 2022
- 6 March 2023