

Notice of Meeting

AUDIT AND STANDARDS COMMITTEE

**Tuesday, 26 March 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 Margaret Mullane, Cllr Adegboyega Oluwole and Cllr Muazzam Sandhu

Independent Member (for audit matters only): Stephen Warren

By Invitation: BDO and Grant Thornton representatives

Date of publication: 15 March 2024

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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 30 January 2023 (Pages 3 - 15)**
- 4. Grant Thornton's Indicative Audit Plan, Sector update and Informing the Audit Risk Assessment- Report of Interim Chief Accountant (Pages 17 - 92)**
- 5. BDO Audit Progress and Sector update -Covering report of Section 151 Officer (Pages 93 - 102)**
- 6. Internal Audit Charter Strategy Plan 2024-25 (Pages 103 - 141)**

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

8. **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.***

9. **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, 30 January 2024
(7:00 - 9:30 pm)

Present: Cllr Princess Bright (Chair), Cllr Mohammed Khan (Deputy Chair), Cllr Dorothy Akwaboah, Cllr Josie Channer, Cllr Rocky Gill, Cllr Margaret Mullane, Cllr Adegboyega Oluwole and Cllr Muazzam Sandhu.

Independent Member: Stephen Warren

Also Present: Cllr Musaf Yusuf and Cllr Phil Waker

17. Declarations of Interest

The Independent Member (IM) disclosed that he was engaged as a consultant to Public Sector Audit Appointments (PSAA), which appoints the Council's external auditor.

The declaration was duly **noted**.

18. Minutes - To confirm as correct the minutes of the meetings held on 4 October 2023

The minutes of the meeting held on 4 October 2023 were confirmed as correct subject to comments/clarifications from BDO, summarised as follows:

Minute 12. Update on External Audit Delivery

A fuller explanation as to the reasons why BDO could not progress the audit despite the Council publishing draft Accounts in August 2020.

BDO stated the reasons were as a result of waiting for additional working papers from officers in connection with previous years' accounts which compounded the on-going delays with the 2019/20 Accounts. BDO felt this was a more accurate description of the delay rather than what was recorded in the minute, namely "a significant number of outstanding issues as detailed in the report".

The minute then stated alongside these issues there were resourcing challenges for BDO (unplanned long-term sickness and staff resignations).

BDO clarified that at the time of presenting progress report to Members in March and August 2022 there were no such resourcing challenges, and that in their view the delays were for the reasons set out in above, and which BDO recognised had later been compounded by the technical matter that had been identified for all local authorities regarding the treatment of material infrastructure assets on the balance sheet.

Minute 13. 2018/19 Audit Fees

Deletion of the word "imposition" in the second paragraph in respect of the former Section 151 Officer agreement to the payment of an additional fee.

19. Complaints Update

The Committee received the Monitoring Officer's update on one existing complaint against Members of the Council concerning a possible breach of the Code of Conduct. It was noted that the former MO had considered the circumstances of the matter and that subject to recommendations made, it should not proceed further.

The MO confirmed that as she was still reviewing the former MO's decision, she was not yet able to formally conclude the matter for which she apologised. Consequently, she was not in a position at this time to respond to questions raised by the Committee.

Following questions on the processes around addressing complaints generally, and in that respect the role and involvement of the Committee, the MO undertook to provide the Committee with information about the Complaints Procedure.

20. Council's Accounts Audit Update - 2019/20 - 2022/23

Following the publication of the agenda the Chair referenced that in respect to the update on the latest position regarding the audits of the Council's Accounts 2019/20 to 2022/23 a supplementary report from the Section 151 Officer had been issued. This provided commentary on the outgoing external Auditor (BDO) report (similarly presented as a supplementary) which included a proposed revised timeline of 31 August 2024 to complete their audit of the Council's Statement of Accounts for 2019/20, together with the breakdown of the 2018/19 additional fees, something requested at the last meeting (minute 13 refers)

The Section 151 Officer introduced her report by stating that since the last meeting it had been announced that subject to consultation, the intention was to extend the original backstop date of 31 December 2023 to 30 September 2024 for the completion of outstanding audits of accounts up to and including 2022/23. Consequently, the revised date put forward by BDO would leave the Council in an incredibly difficult position in the context of the now likely backstop date.

The Section 151 Officer reflected on the recent progress of the audit since her appointment. In May 2023 when the Committee received an update about the 2019/20 audit, the aim at that time was to achieve the sign off of the accounts by January 2024. The previous and current Chief Accountant had and continued to work closely with BDO to provide responses to queries in a timely fashion, in addition to which the Section 151 Officer had been communicating regularly with her contacts at BDO with the intention of getting sign-off by today's meeting. She stated that even with the change of assigned audit partner at BDO, following the recent announcement of the impending retirement of the current partner, and the resultant handover period, she could not understand why the accounts would not now be completed and signed off until August 2024, given that the audit had now been substantially completed.

Steve Blandon the new audit partner explained that the supplementary update report set out the revised timeline for when he expected to be able to issue an opinion on the 2019/20 financial statement of the Council's Accounts. In order to provide an informed opinion, there was a reasonable amount of review work to be done on the completed audit work to date, alongside which he had a number of

other audit responsibilities which impacted on his time, and therefore he felt the August deadline was a reasonable target date to set, based on the various steps set out in the report, which included a number of key milestones and dates.

Whilst appreciating Members' disappointment at this news Mr Blandon felt it was important to provide what he felt was a realistic assessment of the timeline to complete the audit. He reiterated the Section 151 Officer's comments about the proposed backstop, which was subject to a National Audit Office consultation, albeit it was likely to be agreed as 30 September 2024. Whilst he was confident of being able to conclude the audit by that date, he did not think the later audits (2020/21 and 2021/22) would be completed within that timeframe ahead of the formal handover to Grant Thornton, the newly appointed external auditors. He also made reference to the 2018/19 fee update which was included as part of the supplementary report, and which set out the final fee information, as had been requested from the last meeting.

The Committee repeated their disappointment that despite assurances and revised deadlines given at previous meetings, accounts going back approaching five years remained to be agreed and signed off. It left Members with little confidence that the August 2024 deadline set by BDO would be met, a situation described as both unprofessional and unacceptable. To that end Members were keen to hear BDO's views as to the remarks of the Section 151 Officer as set out in her report, that given the number of revised deadlines, one possible conclusion that might be drawn was that the change of new partner was now being used as a tactical measure to avoid BDO ever giving a formal audit opinion on the 2019/20 Accounts.

What was also concerning to Members were the comments of the Council's Legal Services on the report namely that the significant risk factors in the delay in completing local audits, multiplied by the fact that with the Council's audits now several years behind the statutory target, meant that any signifiers of concern highlighted in the earlier audits would be submerged until the audits were completed.

Reference was made in BDO's presentation on timelines as to workload implications of other audits. Understandably for the Committee its only focus was completing the Council's audits. As regards the timetable presented by BDO, the programme of works planned for this month (January 2024) did not suggest there was any sense of urgency to move the audit forward. In general, looking at the planned timetable for this year left the Committee with little confidence that the 2019/20 audit would be completed by 31 August, as well as the probability that the subsequent years accounts would not be audited by the expected 30 September backstop date.

As for the information provided showing the final 2018/19 audit fee of £456,091 including the breakdown of the additional fee totalling £262,313, this would need to be discussed as would any additional audit fees for the subsequent 2019/20 Accounts, yet to be reported on by BDO. These were likely to be challenged by the Committee, subject to receiving an inhouse legal opinion as the powers for Members to do so. In that respect the Chair was requested to forward the previous correspondence from the former Section 151 Officer confirming to BDO his agreement to the 2018/19 additional audit fee.

Responding to Members questions Lisa Blake, BDO's outgoing audit partner provided the background and context to the lateness of the audit. She confirmed that at the time BDO had been fully committed and resourced to deliver the audit within the agreed timescales. However, from their position they maintained the view that the main reason for the delay in progressing the audit was because until July 2023 BDO had not received the infrastructure working papers, nor had the Council responded to a number of queries.

She stated that whilst it was not a blame game, she wanted to put on record that BDO had not in any way sought to deliberately hold up the progress of the audit as in her view there would be absolutely no benefit to either themselves or the Council in doing so. Once deadlines were missed and notwithstanding the flexibility of BDO to reschedule dates when things did not go to plan, as had been the case with this audit, it had become increasingly difficult to keep it on track especially when the programming of other audits significantly tested BDO's available resources.

Whilst these matters had already previously been reported on by BDO to Members, what had since changed was that her recent decision to retire meant it was not possible to sign off on the audit of the 2019/20 accounts by this meeting. That responsibility now fell to Steve Bandon, who, as already indicated, required an extension of time to review matters, and be satisfied that the audit work completed was good enough for him to approve the accounts, seeing the Regulator placed a personal and professional responsibility on assigned audit partners signing off financial statements etc, and would, if deemed necessary, impose fines and sanctions on both the individual and BDO if audits were proved not to be conducted properly. That said the new date set by BDO was in her opinion a realistic and achievable time frame to agree and sign off the 2019/20 Accounts.

The Section 151 Officer concurred with some of the reasons which had contributed to the past delays. However, she did challenge BDO's remarks about the delays caused by the Council not providing the required information on the infrastructure assets in a timely fashion. Her understanding was that the reason for information not being returned until July 2023 was that as the infrastructure assets formed a new requirement from January 2023 as part of the overall audit, the Council had been awaiting support and guidance from BDO to what represented a highly technical and complex aspect of the overall accounts, and which proved not as forthcoming as she had hoped for. The S151 Officer said that aside from the infrastructure asset matter, delays from December 2023 had predominantly been because of BDO not progressing the audit mainly due to long term staff absence and rescheduling.

Lisa Blake stated it was her who had been on long-term sick, and she had returned in February 2023.

Recognising there would be a short delay caused by the handover from the outgoing auditor partner to the new partner, originally estimated to be up to one month, the Section 151 Officer's main issue now centred on the reasons why BDO did not now feel able to conclude the audit of the 2019/20 Accounts until August, seeing that all the additional queries and information requested had by and large now been provided by the Council.

Following a question from the Committee regarding the potential for a qualified opinion and the effect on the final audit fees, BDO explained that should that situation arise, given the amount of work involved to provide a qualified opinion, all of which had to be sanctioned by PSAA, it was unlikely to have any bearing on the totality of the additional audit fee.

Whilst the focus of attention had rightly been on BDO's responsibilities to meet their deadlines, Members were keen to hear and receive reassurances from the Section 151 Officer as to the lessons learnt, given the comments made at by BDO both at this and previous meetings that officers had contributed to the delay in progressing the audit by not responding to requests for information in a timely fashion. The expectation of Members was that internal processes and controls should be in place, as the timely completion of auditing the Council's Accounts would be regarded as a significant risk management factor. As for the costs it was seemingly obvious that given the increasing complexity of the Council's Accounts that the fee would increase, and that consequently the Council should have budgeted for the increase.

The Section 151 Officer reiterated that all the information as to the infrastructure assets was submitted to BDO last July. The reference as to what was returned before December was as a result of more recent requests. She was more than happy to provide the chronology of the requests made by BDO from August onwards and the responses made by officers. The subsequent delay with the audit until the Autumn was because officers were waiting for BDO to recommence the audit due to factors outside the control of the Council, as was reported to the last meeting in October 2023.

To reassure Members moving forward the new Chief Accountant was addressing historical issues stretching back many years, and for which updated processes and controls were now in place. Whilst the Council was now by comparison in a stronger position, the Section 151 Officer recognised that until the audit of the accounts was agreed the Council would not have the external assurances that were needed, albeit she was confident that the Council was moving in the right direction.

Despite the reassurances the Committee continued to have concerns about BDO and the delays in their progression of the audit, and to that end given the serious implications for the Council, Members needed to have in writing an audit trail/chronological order of events otherwise they would be failing in their responsibilities to scrutinise the process. BDO stated that they had already presented various reports to the Committee at previous meetings outlining the progress or lack of with the audit.

The Chair echoed Members concerns and frustrations. Personally, she had little faith that the 2019/20 Statement of Accounts would be agreed and signed off by the date set by BDO of 31 August 2024, and therefore she sought assurances from BDO, including more detailed milestones to keep the audit on track. Steve Blandon reiterated the new audit timetable set out in the supplementary report which he felt went as far and detailed as could be expected at this time. Despite Members concerns and misgivings Mr Blandon felt that given all the circumstances, in his professional opinion, he had provided the best indication as to when the audit would be completed. He was however more than willing to

regularly meet with the Chair and the Section 151 Officer to keep them updated with progress.

Members asked that bearing in mind BDO had already stated that B&D was not their only client, and that sometimes other work took priority, should the 31 August deadline not be met, would the Council be in its rights to deduct an element from the additional fee that BDO were seeking. BDO responded that would not be possible as the scale of fees was set by the Public Sector Audit Appointments Ltd (PSAA) who also agreed any additional fees based on work completed.

The Chair made the point that in due course when BDO presented their additional fee for the 2019/20 audit of accounts, she would insist that in the first instance it was presented to the Committee. In that respect Members enquired as to whether it would be possible to insist that it include performance related clauses should target dates not be met. The Independent Member (IM) to the Committee stated that this would not be possible as the Council was not party to the fee contract which was between the PSAA and the audit contractor.

BDO agreed to let the Section 151 Officer have urgently an analysis of the costs of the additional fee that they would be claiming for the extra work associated with the 2019/20 audit. For the record BDO stated that any additional work forming part of the handover arrangements between the incoming and outgoing audit partner would be regarded as duplication and would not be passed on to the Council.

Clarification was sought as to what was the current position regarding the complaint submitted by the Section 151 Officer to BDO in September 2023 stating that the delay in completing the 2019/20 Statement of Accounts was unacceptable. BDO did subsequently meet with the Section 151 Officer to discuss the complaint, whereupon they set out the timelines to receive responses to queries, with a view to agreeing revised dates to complete the audit. That said they agreed to provide the Council with a formal written response to the complaint, a necessary step before the Council considered whether it intended to escalate the complaint to the PSAA.

On a separate matter the IM asked that if as a result of the new audit partner review of the accounts there were further queries that could not be resolved in a timely fashion, what was their Plan B. BDO responded that their intention would be to resolve such issues within the revised timeframe presented which allowed for the Council to respond to queries and provide additional information by the end of April. This would then allow for a further period into the Summer to reconsider any new information that may arise with a view to finalising the audit by the August 2024 deadline.

The Section 151 Officer stated for the record that as of now there were no further material issues or information awaited from officers, all related enquiries having been responded to quickly, and that this was now solely about the new partner review, which she believed a further six months period to conclude was excessive. The majority of the audit had been completed, reviewed and signed off with some residual matters relating to PPE and infrastructure assets still to be confirmed. That said if the audit was not agreed and signed off by the backstop date then the Council would not get a full audit opinion but would still be obliged to pay both the

standard scale fee as well as the additional fees, which given the length of time since the fees were agreed by the former Section 151 Officer, could not realistically be challenged.

BDO responded similarly for the record they had in recent months highlighted a number of material errors in the accounts, the most recent being in December 2023, and which had contributed to the delays that were now being reported on and discussed. They also clarified that when the Section 151 Officer stated that the majority of the audit has been completed, this needed to be put in context, as concluding the accounts did not mean the work was complete, as the accounts would then be subject to a series of technical and other reviews, and these had to be completed before they were ready for agreement and sign-off. The Section 151 Officer repeated her comments that as far as she was aware there was nothing materially outstanding at this point in time.

The view expressed by the Section 151 Officer that in all likelihood the 2018/19 additional fee was likely beyond challenge, was very disappointing. Members, felt from the tone of the debate that there appeared very little legally that the Committee could do to challenge BDO in relation to both the fees and timescales for the delivery of the audit. That being the case the expectation was that moving forward the Section 151 Officer should seek to robustly challenge the amount of any additional fees for extra work conducted by BDO on the 2019/20 Accounts, given how long they had been working on them and having regard to the state of the Council's finances at this time. There was also an issue about the reputation of the Council should the accounts get caught up with the backstop arrangements.

The IM explained that the impact of the backstop arrangements was that by a given date auditors should in normal circumstances reach a conclusion and certificate completion of audits, and where that was not possible, then to issue an unqualified opinion and/or a disclaimer. That clearly has potential reputation implications for both audit firms and local authorities. However, given the scale of the backlog nationally and how many councils would likely be affected, this should mitigate the reputational damage to Barking & Dagenham.

On the matter of challenging fees, the IM supported the view that given the former Section 151 Officer had sanctioned the additional fee payment for the 2018/19 audit, it would be very unlikely that PSAA would permit any further representation. As regards the additional fee for the 2019/20 audit, as yet to be provided by BDO, the IM commented that should Members decide to contest, it could conceivably carry more weight if the Committee made representations, albeit the authority to approve the additional fee ultimately sat with the Section 151 Officer.

Turning to the complaints process, whilst noting that BDO had already given a commitment to respond in writing to the Section 151 Officer's complaint about the delay in completing the 2019/20 Statement of Accounts, and depending on the response, the Committee might choose to formally put in writing its own concerns. The IM also noted that one of the report recommendations included a proposal to make representations to the responsible Minister to seek their intervention. Whilst he was not aware of any powers that the Minister had to intervene in a determination by PSAA, as a matter of principle there would be nothing to stop the Council writing to raise awareness of the challenges of delivery in the wider audit market.

There then followed a series of discussions back and forth between Members and BDO without resolution around timelines, including shortening the 31 August deadline, the allocation of additional audit resources, the BDO complaints process, details of which will be shared with the Section 151 Officer, the chronology around the 2019/20 audit, the details of which would be confirmed between officers and BDO, and subsequently shared with Members, and the formal process to challenge the additional audit fee for the 2019/20 audit.

The Chair asked BDO to present a report to the March 2024 meeting setting out in detail the broad timelines presented this evening, including what had been achieved by that date, together with any further queries that might be raised and the officer responses to such. This was requested essentially to provide Members with an understanding and a level of confidence that the deadline of 31 August 2024 to complete the audit and, which BDO was not prepared to bring forward, was on track. She also expected a written response from BDO within the next two weeks to the complaint submitted by the Section 151 Officer last September, who in turn for the record would copy her complaint to Members. Finally progress and further actions required would be discussed offline between the Chair and Section 151 Officer to which Members would be kept informed.

The Committee **noted** the report.

21. LBBD Audit Progress report and Sector Update and Preventing Failures in Local Government- Grant Thornton, External Auditors

Paul Dossett, Grant Thornton (GT) was welcomed to his first meeting. At the outset he made an observation as to whether spending a significant amount of the Committee's time on the previous item was warranted given the equal importance of other matters on tonight's agenda.

He presented a progress report set out as Appendix A detailing delivering GT's responsibilities as the Council's newly appointed external auditors. The report summarised the emerging national audit issues and relevant developments to this Authority, specifically the significant delays in the completion of audit work and the issuing of audit opinions across the local government sector, with only 12% of Councils having received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November last year.

GT have been working constructively with DLUHC, the FRC and audit firms to identify ways of rectifying the challenges that have been faced by the sector with a recognition of the difficulties the backlogs have caused local authorities across the Country. DLUHC were to launch a consultation regarding proposed backstop arrangements, in which they were expected to announce that all audit years from 31 March 2023 and earlier would be 'backstopped' if not completed by 30 September 2024, the result of which could see many disclaimers or qualified audit opinions.

Paul Dossett said that as yet the scope of work required for 2023/24 audits was yet to be determined. However, GT would, subject to no subsequent changes to backstop arrangements, intend to commence planning work this quarter with final accounts work from July 2024 onwards, with the aim of achieving sign-off by 31 December 2024. He stressed that GT would adopt a robust approach should

Councils fail to produce accounts/respond to questions on time, insofar they would not hesitate to issue auditor recommendations to those Councils. He gave assurances that they would be proactive in reporting issues to Members for action. Given the level of resources available to GT he was confident that the majority of audits for 2023/24 would be signed off by the end of December 2024.

In respect to fees Paul Dossett stated that the Public Sector Audit Appointments (PSAA) approach now was that in addition to setting the scale of fees they would set key milestones that auditors would be expected to meet such as producing audit plans, audit findings, opinions and annual reports, all of which would need to be completed before payments were made. Consequently, it would be in the interest of GT to complete such tasks in a timely manner.

He then briefly referred to the second report on the agenda set out as Appendix B entitled 'Preventing Failure in Local Government' which GT produced in December following wide consultation with both Section 151 Officers and Monitoring Officers. He suggested that the paper be used by Members as a tool setting out the governance risks to sound financial management and the lessons learnt from past failures.

In response to the presentation, and specifically to Paul Dossett's observation about the use of the Committee's time, reference was made to the Audit progress report and specifically the section which talked about a report from the Commons' Public Accounts Committee ... 'Timelines of Local Authority Reporting' which highlighted the concerns of the Committee about the implications of audit delays, citing the cases of Woking Borough Council and Thurrock, both of which had years of unaudited accounts and had declared themselves effectively bankrupt due to excessive levels of debt. This alone justified the importance of the Committee spending a significant amount of time discussing the Council Accounts 2019/20 – 2022/23 update item.

Turning to the audit fees, mention was made of the significant increase (240%) of the PSAA scale of fees for 2023/24 and whether the Section 151 Officer made provision for the increase in the budgets. It was confirmed that the budget had been increased to match the new scale fee.

The 'Preventing Failure in Local Government' report was seen as a very helpful report for the Committee. It was felt there would be merit in presenting it to all Members as it reinforced their role to ask the difficult questions, there being a responsibility on Members to do so. Another important point made in the report concerned the possible reform of the Public Loan Works Board to stop credit lines to ensure in future that local authorities did not borrow beyond their means.

Paul Dossett stated that local authority debt levels and borrowing was one area of focus for auditing, as were things such as the structural and governance arrangements of arm's length companies set up by many local authorities. He confirmed that GT would focus its audit work on achieving value for money for this and other Councils, as well as financial statements audits, as quite often it was this area that unlocks many of the other financial issues being experienced in the local government sector today.

As GT would be assuming the external audit role for the Council in April and were aiming to present a final sign-off report in December, and given the local authority's audit experiences of the past few years, would it be feasible to submit an interim report in Summer 2024?

GT planned to present their indicative audit plan to the next meeting in March, alongside which they would be engaging with officers about doing some interim testing work. There was then the process of preparing the 2023/24 accounts and how this played into the ongoing work by BDO and the views of officers' as to the available time and capacity they have to complete the previous years' outstanding accounts, as well as preparing the 2023/24 accounts and respond to GT regarding any subsequent queries.

From GT perspective they would be happy to provide regular progress reports to the Committee. Assuming all sets of previous accounts were signed off by the backstop deadline of 30 September, GT's broader commitment was to complete their work at the very latest by March 2025, subject to all the said factors.

The Chair enquired that given the cross over between BDO finishing their role and GT assuming responsibility as the Council's external auditors, would there be a process of engagement between both? Paul Dossett confirmed that there was a requirement as the newly appointed auditor to review the outgoing auditor's prior year's file. However, given the current circumstances, and depending on future decisions around the backstop and other matters, GT would as a minimum review the files relating to the last set of fully audited accounts, which as things stood was timetabled for 31 August 2024.

The Committee accordingly **noted** the report.

22. Corporate Risk Management Report

The Head of Assurance (HOA) updated the Committee. He led a Risk Management Workshop with the Council's Executive Team in September 2022 which undertook a fundamental review of the strategic corporate risks that might prevent the Council from achieving its objectives. This latest review had been undertaken personally by Strategic Directors as per the Risk Management Strategy, with some changes to risk wording having been identified and changes to the level of risk reported.

There were 13 Corporate Risks at the last review, however one risk, the Significant Incident in the Community (CR.3), was removed as the organisation and its partners were now better equipped to deal with any incident than previously.

In response to the presentation the Committee were curious as to why CR.1 (Population Change) and CR.4 (Safeguarding Failures) were both seen as low risk, especially in respect to CR.1 seeing the significant growth of the local population, which whilst bringing benefits, also presented significant and complex challenges for the Borough. What were the plans to mitigate and manage the associated risks in these areas?

The HOA responded by explaining the structure to support each of the risks. This involved assessing the gross risk of the likelihood of something occurring should there be no controls in place. Moving towards net risk this related to those faced today with controls in place followed by further actions, deadlines and responsible officers that sit between where we are now and the target risk. Applying this matrix, CR.1 was deemed now to be a lower risk due to the existing controls that were in place and the way the risk was managed, whilst in respect to CR.4, this remained a high (red) target risk as the impact of something going wrong was very significant, and could never be reduced, albeit there were actions in place to reduce the likelihood of an incident occurring.

Additionally, the last time the report was presented to the Committee, members raised concerns about climate change, and why was it not highlighted as a specific risk, to which at that time the response was that it was incorporated as part of CR.3 (Significant Incident in the Community). Consequently, what was the thinking now behind removing the risk, especially given the recent experiences in the Borough with house fires due to the extreme hot weather conditions as well as flooding and the 'mini tornado' in Barking.

The HOA explained that whilst climate change was not on the Corporate Register it did appear on registers that sat behind the Corporate Register, and therefore formed a key element, feeding into a number of the main risks.

It was noted that both financial risks CR.2 (Financial Management) and CR.7 (Economic Downturn) were rated as high (red) risk. The fact that the Council's Accounts had not been audited since 2019/20 would only increase the financial risks to the Council. Consequently, with the changing economic environment including increases in interest rates and the downturn in the construction activity etc, why was CR.6 (Investment Decisions) not rated as high risk, given questions as to the viability of some of the Council's current schemes such as the Gascoigne 3B regeneration scheme?

The Section 151 Officer stated that the key thing was that these risks were now being actively reviewed and monitored regularly. In respect of CR.6 whilst the impact was high, it was classified as medium rating (amber) because although officers were aware that there were problems with a number of current schemes, they were nevertheless being managed through ongoing mitigation measures, and consequently remained viable. On the specific question as to the viability of the Gascoigne 3B regeneration scheme, the Section 151 Officer agreed to come back with a separate report.

The Chair observed that where in those cases the net risks exceeded the target risks, it would be helpful for the Committee to receive an update report at the next meeting on what actions were being taken to mitigate against such risks, which the HOA agreed to provide.

The Committee **noted** the update.

23. Internal Annual Audit Report 2022/23

The HOA updated the Committee on the Internal Audit work carried out for the year ended 31 March 2023. The Public Sector Internal Audit Standards required

the HOA 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.

The Internal Audit as approved by this Committee included 46 audits consisting of 35 risk and compliance audits, 10 school audits and a project to follow-up prior year work in schools. Except for one school audit, all planned audits were delivered.

Based on the work undertaken the HOA was satisfied that sufficient internal audit work had been undertaken allowing for him to provide an opinion that was 'generally satisfactory' with some improvements required in a number of areas detailed in the report, for the purpose of enhancing the adequacy and effectiveness of the framework of governance, risk management and control.

The results of the audit work programme were set out in the report, listing the each of the audits against a scale of opinion ranging from substantial, reasonable, limited and/or no assurance, together with the various categories of associated risk ranging from critical to low depending on the impact of the associated risk attached to each recommendation. In total nine limited assurances were issued, the details of each being summarised in the report.

Of the nine limited assurance audits three were highlighted, from which the following questions arose:

Leasehold Management Service Charges – It was noted that there was no key performance indicator for the recovery of debts relating to Section 20 major works. Moreover, more concerning was that management were still trying to unravel what can and cannot be charged for some of the Section 20 works, meaning that no collections had been recovered for the period of the audit. In that respect the Committee asked as to whether there was statutory guidance as to what a Council could legitimately charge for?

The HOA responded that the expectation was that work re charging for Section 20 works should have been done by now. The original implementation date for reporting on this matter was September 2023, and in accordance with the agreed process, when a manager missed a deadline, it was then escalated to the Council's Assurance Board where managers were required to both explain why they had not implemented the IA recommendation and to identify a revised date to do so.

Right To Buy Valuation – The statement as to the lack of detail being provided by surveyors valuing properties and a subsequent uncertainty about the accuracy of valuations leading to a possible loss to the Housing Revenue Account was concerning.

The documentation provided by the previous surveyor contractor was not sufficiently accurate to give a view on the valuation of properties. However since, and as a result of the audit, there was now a different contractor undertaking the work to a set specification under the management of My Place, who now had greater confidence that the sale of properties was based on correct valuations.

Be First / Reside / BD Energy / My Place Relationships – With regard to the current restructuring of My Place it was noted that agreed actions arising from the audit had been implemented, with a further review earmarked for 2024/25. However, the handover process between Be First and Reside was managed by a small number of people who relied heavily on the strength of the relationships between them, and this did suggest to the Committee a weakness in the approach of relying on key staff, and that perhaps the review should be undertaken sooner than that proposed in the report?

Given the meeting had already been extended by the maximum 30 minutes allowed for in line with the requirements of the Constitution, the HOA agreed to provide a written response to the question.

24. Internal Audit Q3 (2023/24) Update

Given the 9.30pm cut off time it was not possible to consider the Internal Audit Q3 update. Given the report was for noting it was agreed that should members have any questions or comments on the report these should be emailed to the Head of Assurance for a response.

25. Counter Fraud Q3 (2023/24) Update

Given the 9.30pm cut off time it was not possible to consider the Counter Fraud Q3 update. Given the report was for noting it was agreed that should members have any questions or comments on the report these should be emailed to the Head of Assurance for a response.

26. Work Programme 2023/24

The Work Programme for the remaining part of the 2023/24 Municipal Year was noted.

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AUDIT AND STANDARDS COMMITTEE**26 MARCH 2024**

Title: Grant Thornton’s Indicative Audit Plan, Sector update and Informing the Audit Risk Assessment	
Report of the Interim Chief Accountant	
Open Report	For Information
Wards Affected: All	Key Decision: No
Report Author: Yinka Ehinfun (Interim Chief Accountant)	Contact Details: E-mail: Yinka.Ehinfun@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 Grant Thornton’s approach for delivering their responsibilities as the Council’s external auditor for the 2023/24 financial year. Appendix A outlines their audit Indicative Plan for the 2023-24 accounts audit, key audit risks and materiality levels.</p> <p>Grant Thornton has also prepared a second report set out in Appendix B which is an up-to-date summary of emerging national issues and developments within the sector.</p> <p>They have included a third report which is Management’s responses on the “Informing the audit risk assessment” which has been included as Appendix C and this presents the Council’s responses to key questions on risks that the organisation faces.</p> <p>Representatives of Grant Thornton will be at the meeting to present both reports and respond to Member questions.</p>	
<p>Recommendation(s)</p> <p>The Audit and Standards Committee is recommended to note the contents of these reports.</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 Background

- 1.1 Since the last meeting of the Audit and Standards Committee, Grant Thornton have been carrying out their planning work with respect to the 2023/24 financial year, working with officers to gain a better understanding of the Council and its processes.
- 1.2 This has enabled them to formulate their indicative Audit Plan for the 2023/24 Accounts Audit which is now attached at Appendix A.
- 1.3 They have identified 'significant' risks which are those risks which will require special audit consideration and procedures to address the likelihood of a material financial statement error.
- 1.4 They have determined planning materiality to be £13m for the group and £12.5m for the Council and have set the level of triviality to be £650k for the group and £625k for the Council.
- 1.5 They have also outlined their approach to the audit of the Council's consolidated accounts.
- 1.6 The approach also outlines the key audit logistics including a timeline for the commencement of the main audit, which is July 2024. This is on the basis that the Council has published its draft accounts by the statutory deadline of the 31st of May 2024. The report also highlights their proposed fee which includes both the scale fee and additional fees such as the use of an Audit Valuation expert and their ISA 315 work which is their work to identify and assess the risk of material misstatement.
- 1.7 This will be the first year where the external audit will be undertaken on a timely basis and Council officers will be required to undertake a significant amount of work over the next three months to ensure that they are able to meet the required deadlines.
- 1.8 The Chief Accountants has formulated a detailed plan for the 2023/24 statement of accounts closure process and has already held a number of closing workshops to ensure that colleagues are aware of their respective responsibilities in the process. Guidance has been issued to service managers, Heads of Service and Directors and training is being provided where required. Therefore, the Chief Accountant is confident that the Council will be in a position to meet the deadlines set out by the external auditors.
- 1.9 However, it is important to bear in mind that the Council prepares Group Accounts, and these subsidiaries prepare their accounts on a timeline set out in the Companies Act which is not aligned with local authority statutory reporting timelines.
- 1.10 This presents a significant risk for the council to be able to meet the statutory deadline, particularly as one of the subsidiaries has yet to finalise its 2022/23 audit. Until their auditors have concluded their 2022/23 audit, the subsidiary will be unable to release their 2023/24 draft accounts which in turn may impact on the Council meeting the 2023/24 closing deadline.

- 1.11 It will, therefore, be important for Council officers to work closely with colleagues in the subsidiaries to ensure that Group accounts can be prepared without undue delay and be ready for publication by the end of June 2024 which will still meet our external auditors timeline of starting the main audit in July 2024
- 1.12 There is also the matter of the backlog of unaudited accounts for the years for the intervening years from 2019/20. The Council's finance team is working towards publishing the draft accounts for the 2020/21 and 2021/22 financial years by 31 March and the 2022/23 draft accounts in April 2024. This will then enable the team to focus on the work to publish the draft accounts for the 2023-24 financial year by the deadlines set out in the report.

2. Significant Risks identified

- 2.1 The significant risks identified are as follows:
 - 2.1.1 The risk of management override of controls.
 - 2.1.2 The risk that valuation of land and buildings (including council dwellings) in the accounts are materially misstated.
 - 2.1.3 The risk that the valuation of the investment properties in the accounts are materially misstated.
 - 2.1.4 The risk that the valuation of the net pension fund liability in the accounts in materially misstated.
- 2.2 The external auditors will communicate significant findings on these areas in subsequent committee meetings.

3. Group Audit scope and risk assessment

- 3.1 In accordance with ISA (UK) 600, as group auditors, Grant Thornton is required to obtain sufficient appropriate audit evidence regarding the financial information of the council's subsidiaries included in the consolidation process.
- 3.2 As a result, they plan to audit one or more classes of transactions, account balances or disclosures relating significant risks of material misstatement of the group financial statements for the council's more significant subsidiaries in addition to the audit work that will be done within the council and carry out analytical procedures at group level for the less significant subsidiaries.

4. Risks of significant Value-for-Money (VFM) weaknesses

- 4.1 Grant Thornton noted that the VFM work for 2022/23 has not been completed by BDO and therefore in planning for 2023/24, they identified that there are risks of significant weakness in the Council's arrangements to secure value-for-money in all categories.
- 4.2 They will be preparing written recommendations that should be adopted by the Council which they will bring to the Committee to discuss and respond publicly to.

5. Sector Update

- 5.1 This report provides the Committee with a report on updates within the sector.
- 5.2 It includes a summary of emerging national issues and developments that may be relevant to the Committee such as the financial trajectory of the sector and the measures brought forward to addressing the delay in local audit and
- 5.3 A series of sector updates in respect of the emerging issues which the Committee may wish to consider such as preventing failure in local government and mitigating financial distress in Local authorities.

6. Management's responses on the "Informing the audit risk assessment"

- 6.1 There is a third report that includes the responses from officers of the council to informing the audit risk assessment and the Committee should note these responses.

7. Options Appraisal

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

8. Consultation

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

9. Financial Implications

Implications completed by: Michael Bate – Deputy S151 Officer

- 9.1 Grant Thornton have been allocated as the Council's External Auditors for the 2023/24 financial year and for a further 4 years. The appointments and selections were carried out on a national basis by the Public Sector Audit Appointments (PSAA). The Council cannot influence the choice of external auditor.
- 9.2 The audit fees for the 2023/24 are £434,860 for the Council's Audit and £75,287 for the Pension Fund Audit. This represents an increase of 240% compared to 2022/23 for the Council's Audit, where the scale fee was £127,801 and a 366% increase for the Pension Fund Audit, where the scale fee for 2022/23 was £16,170.
- 9.3 In their Indicative Audit Plan report, Grant Thornton have included additional fees of about £17k for the use of a valuation expert and to cover their ISA 315 work. Any remaining additional fees will be confirmed at a later date. At the moment, the additional fees can still be absorbed within 23-24 forecasts, but further significant additional fees would add pressure to the council's finances.
- 9.4 Council officers will ensure that the timelines agreed with Grant Thornton are adhered to. This will help to mitigate further additional audit fees.

10. Legal Implications

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

- 10.1 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. An essential component of sound administration is a sound audit function.
- 10.2 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, and
 - Observed proper practices in the preparation of the statement of accounts; and that the statement presents a true and fair view.
- 10.3 This is supported by the 2020 Code of Audit Practice published by the National Audit Office. Auditors now need to report significant weaknesses in arrangements when they identify them and make recommendations for improvement. A document called the Auditors Annual Report will cover arrangements for financial sustainability, governance and improving value for money.
- 10.4 Audited bodies are required to publish the Auditors Annual Report on their Website.

11. Other Implications

- 11.1 **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 risk management implications are clearly set out in the appendices to this report.

List of appendices:

- **Appendix A** – London Borough of Barking and Dagenham Indicative Audit Plan - March 2024
- **Appendix B** – GT report – Sector Updates.
- **Appendix C** - Management's responses on the "Informing the audit risk assessment"

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London Borough of Barking and Dagenham Indicative audit plan

Year ending 31 March 2024

26 March 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.

Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

Local context

The Council faces increasing financial challenges over the next few years. While the council has a plan in place to achieve a balanced budget for 2023/24, this has not been without significant challenges. At the end of January 2024, forecast expenditure after transfers to and from reserves of £2.366m stood at £200.476m resulting in a forecast overspend of £6.016m. Management have stated that if the forecast level of overspend continues, this will result in the use of earmarked reserves to balance the budget for 2023/24 and/or potentially drawing of funds down from the General Fund balance which is currently c£17m. For the proposed general fund budget of 2024/25, the council currently requires a drawdown from reserves of £8.809m to balance the budget. This includes £15.595m of savings and £54.129m of growth from the 2023/24 revised budget.

As your new auditor, we have taken into account the national and local context when designing a local audit programme that is tailored to the council's risks and circumstances.

Audit Reporting Delays

There have been significant delays in completing audit work and issuing audit opinions across the local government sector nationwide. Two consultations were released in February 2024 in response to this issue. One consultation by DLUHC sought views on introducing backstop dates for the publication of audited accounts in the Accounts and Audit Regulations 2015. The other consultation by the NAO sought views on changes to the Code of Audit Practice to support auditors in meeting backstop dates and promoting more timely reporting of their work on value for money arrangements. Council management was invited to respond to these proposals, and our firm submitted our comments on March 5, 2024. The outcome of the consultation is currently unknown.

Notwithstanding, to ensure timely sign-off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters - continued

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been discussed with the Interim Strategic Director of Resources (S151 Officer).
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Strategic Director of Resources Quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit and Standards Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit and Standards Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit and Standards Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector. Officers at the Council attended the workshop held in February 2024.
- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls. We have identified other risks, which are discussed in greater detail in this report.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of London Borough of Barking and Dagenham Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and standards committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Basis of the audit plan

The audit plan presented in this document is based on our current understanding of the council, which was derived from discussions with management, review of minutes, and the council's latest financial position. However, it is important to note that the latest financial position available to us at the time of writing is the 2019/20 accounts, which are currently under audit. For this reason, our audit plan does not consider the financial position of the council from 2020/21 to 2022/23 as those financial statements are not yet publicly available.

Based on this, It is likely that we will need to review and update the audit plan when the 2023/24 financial statements are drafted. Therefore, we must emphasize that the current audit plan is subject to change. We will communicate any changes made to the audit plan during future committee meetings.

Introduction and headlines

Significant risks

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

- The risk of management override of controls
- The risk that valuation of land and buildings (including council dwellings) in the accounts are materially misstated
- The risk that the investment properties in the accounts are materially misstated
- The risk that the valuation of the net pension fund liability in the accounts is materially misstated.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £13m for the group and £12.5m for the Council. This equates to approximately 1.48% of the group's 2019/20 gross operating costs for the year and 1.41% of the Council's gross operating costs for 2019/20. We have used the 2019/20 figures to determine materiality as this is the latest financial position available at the time of drafting this report.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £650k for the group and £625k for the council.

We have identified senior officer remuneration as an area where we will apply a lower materiality level, due to the sensitive nature of the disclosures. We have set a materiality of £100k.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified risks of significant weakness in all categories. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of its significant subsidiary undertakings. Our understanding to date of the Council's significant subsidiaries as assessed by management are:

- B&D Homes Ltd
- B&D Reside Ltd
- B&D Energy Ltd
- Be First (Regeneration) Ltd
- Be First Developments (Muller) Ltd
- B&D Trading Partnership LTD

We will keep this under review as we progress with the audit.

We have observed that the following companies have up-to-date accounts on Companies House:

- B&D Homes Ltd
- B&D Reside Ltd
- B&D Energy Ltd
- Be First (Regeneration) Ltd

If there are delays in producing and auditing the financial statements of subsidiaries, it is expected to have an impact on the delivery schedule of the council for 2023/24.

Audit logistics

Our planning visit will take place between February – March 2024 and our final visit will take place from July 2024. This is dependent on when the 2023/24 draft financial statements are produced by management.

Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our proposed fee for the audit of the Council is set out in page 22 of this report, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Presumed risk of fraud in revenue recognition ISA (UK) 240</p>	Group and Council	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of the Council, we have determined that it is likely that the presumed risk of material misstatement due to the improper recognition of revenue can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including London borough of Barking and Dagenham Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Council at the time of our planning however we will keep this assessment under review. We have however not rebutted the risk for the group. To address this risk, we plan to rely on the work performed by the component auditors on revenue. To do so, we will take the following steps:</p> <ul style="list-style-type: none"> - communicate with the component auditor to discuss any identified fraud risks and obtain additional information on their audit procedures. - evaluate the component auditor's competence, capabilities, and objectivity - review the work performed by the component auditor to ensure that it is of sufficient quality and addresses the relevant fraud risks. - assess the sufficiency and appropriateness of the component auditor's work to determine whether it is suitable to rely on for the purpose of the group audit.
<p>Risk of fraud related to expenditure recognition PAF Practice Note 10</p>	Group and Council	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)	<p>As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.</p> <p>Having considered the nature of the expenditure streams of the Council, and on the same basis as that set out above for revenue, we do not consider this to be a significant risk for the Council at the time of our planning however we will keep this assessment under review.</p>

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls ISA (UK) 240	Group and Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p>The Council faces external scrutiny of their spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of the pension fund net liability	Group and Council	<p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • understand the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assess the accuracy and completeness of the information provided by the group to the actuary to estimate the liabilities; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of the Councils Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (including Council dwellings)	Group and Council	<p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Key assumptions and judgements will include managements impairment assessments, valuations based on historic data, valuations of properties that have not been subject to inspection and those assets that have change in use in the year.</p> <p>Management will need to ensure that the carrying value in the Council's (and group's) financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.</p> <p>We therefore identified valuation of land and buildings and council dwellings as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which will include engaging our own valuation expert to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Investment Properties	Group and Council	<p>The Council revalue its Investment Properties on an annual basis to ensure that these assets are held at Fair Value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>The key assumption for investment property is the yield rates utilised by the valuer and our testing will therefore focus on this area.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuations were carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, which will include engaging our own valuation expert to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • focus our testing on the yield rates used by the valuer; and • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response	Risks identified	Planned audit approach
		required under ISA (UK) 600		
London Borough of Barking and Dagenham Council	Yes		<ul style="list-style-type: none"> Risks are set out in pages 8 – 10 of this report 	Full scope audit performed by Grant Thornton UK LLP
-B&D Homes Ltd -B&D Reside Ltd -B&D Energy Ltd -Be First (Regeneration) Ltd -Be First Developments (Muller) Ltd	Yes		<ul style="list-style-type: none"> Risks are set out in pages 8 – 10 of this report 	Full scope audit performed by Beever and Struthers. The nature, time and extent of our involvement in the work of the subsidiary auditors will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the auditor's audit documentation and meeting with appropriate members of management.
-B&D Trading Partnership LTD	Yes		<ul style="list-style-type: none"> Risks are set out in pages 8 – 10 of this report 	Full scope audit performed by RSM UK Audit LLP.

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Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Group audit scope and risk assessment

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
-Reside Regeneration Ltd -Reside Regeneration LLP -Reside Abbey Roding LLP -TPFL	No	Analytical procedures at group level	<ul style="list-style-type: none"> No specified risks identified in relation to these subsidiaries. 	These entities are not considered significant individually therefore, analytical procedures at a group level will be performed. No further audit procedures are required at this stage.
-BD Management Service -BD Corporate cleaning Ltd -BD Together -London East UK Ltd -BD Service Delivery	No	Analytical procedures at group level	<ul style="list-style-type: none"> No specified risks identified in relation to these subsidiaries. 	No specific audit procedures are required for these entities as they are subsidiaries of B&D Trading Partnership Ltd and are consolidated within its accounts. Since these entities are not considered significant individually, except for the analytical procedures, no further audit procedures are required at this stage.

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Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We will read your Narrative Report and Annual Governance Statement (and any other information published alongside your financial statements) to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the group and the Council for the financial year. Materiality at the planning stage of our audit is £13m for the group, which equates to 1.48% of your draft gross expenditure for the group for the financial year 2019-20 and £12.5m for the council, which equates to 1.41% of your draft gross expenditure for the group for the financial year 2019-20</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;– assist in establishing the scope of our audit engagement and audit tests;– determine sample sizes and– assist in evaluating the effect of known and likely misstatements in the financial statements.
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none">– We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £100k.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p>Other communications relating to materiality we will report to the Audit and Standards Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £650k for the group and £625k for the council. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Committee to assist it in fulfilling its governance responsibilities.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

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	Amount (£)	Factors considered
Materiality for the Council's financial statements	£12,500,000	The following factors were considered when determining materiality for the Group and Council
Materiality for specific transactions, balances or disclosures - senior officer remuneration	£100,000	<ul style="list-style-type: none"> • The financial information available at the time of drafting this report • The complexity of the group structure • Our understanding of the internal controls in place. • Our review of your predecessor's auditors' reports
Group materiality	£13,000,000	



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
E5 – Finance system	Financial reporting	To test design and implementation of the ITGCs. This includes: <ul style="list-style-type: none">- Security management- Change management- Batch Scheduling

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024.

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

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

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VFM work for 2022/23 has not been completed. In planning for 2023/24 we have identified risks of significant weakness in your arrangements to secure value for money in all categories:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

Statutory recommendation



Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

Audit logistics and team



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Makanatsa Makusha, Audit In charge

Key audit contact responsible for the day-to-day management and delivery of the audit work



Ibukun Oluwasegun, Audit Manager

Provides oversight of the delivery of the audit including regular engagement with Audit and Standards Committees and senior officers



Paul Dossett, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Audit and Standards Committees and senior officers

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

*The dates stated are dependent on when management produce the draft financial statements for 2023/24.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. The scale fee set out in the PSAA contract for the 2023/24 audit is £434,860.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

Proposed fee 2023/24

London Borough of Barking and Dagenham Council Audit	£434,860
Audit expert fees – (for the valuation of Land & buildings, council dwellings & Investment properties)*	£4,000
ISA 315	£12,550
IFRS 16	TBC
Potential impact of delayed 2022/23 audit opinion	TBC
Total audit fees (excluding VAT)	TBC

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Previous year

If the opinion on the 2022/23 (including 2021/2022 and 2020/2021) audit is disclaimed due to the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you should this circumstance arise.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

*Please be advised that the fee stated is the valuer's base fee. Any additional queries may result in a variation to the base fee.

IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Planning enquiries

As part of our planning risk assessment procedures, we will be making enquiries of management on the implementation of IFRS 16. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \[publishing.service.gov.uk\]](#)

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and we will make enquiries of component audit firms providing services to the group and Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit related services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group and Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees*	Threats	Safeguards
Audit related			
Certification of Teacher's Pension	£12,500	-Self-Interest (because this is a recurring fee) -Self review -Management	The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of and relative to Grant Thornton UK LLP's turnover overall is not significant. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with informed management, however, we will not be performing any management functions as a result of this work. We are satisfied that there is sufficient safeguards in place to mitigate the threats.
Certification of Housing benefits subsidy	TBC	-Self-Interest (because this is a recurring fee) -Self review -Management	The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of and relative to Grant Thornton UK LLP's turnover overall is not significant. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with informed management, however, we will not be performing any management functions as a result of this work. We are satisfied that there is sufficient safeguards in place to mitigate the threats.
Certification of Pooling of Housing Capital Receipts	£10,000	-Self-Interest (because this is a recurring fee) -Self review -Management	The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of and relative to Grant Thornton UK LLP's turnover overall is not significant. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with informed management, however, we will not be performing any management functions as a result of this work. We are satisfied that there is sufficient safeguards in place to mitigate the threats.

*(Fees stated are exclusive of VAT)

Independence and non-audit services

Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit / additional services before we were appointed as auditor. In the table below we have set out the previous services we have provided to the group and Council.

Service (Financial year)	Timescale service was delivered?	Fees (excluding VAT)	Would the service have been prohibited if we had been auditor?	Has the outcome of the service been audited or reviewed by another firm?	Commentary
Assurance – Housing benefits (2019/20)	2020-21	£30,000	N	N	Reporting on regulatory returns
Be First Accounting Advice	2020-21	£12,500	Y	Y	The accounting advice we provided was in relation to the equity investment made by the Council in Be First. As the investment amount was £950,000 and not considered material from an accounting perspective, and the fee for the service was not significant, and the team who provided the advice will not be involved in the 2023/24 audit, we have concluded that there are no potential independence issues that may arise due to this.
Assurance – Pooling capital returns (2020/21)	2023	£5,000	N	N	Reporting on regulatory returns
Assurance – Teachers Pensions (2020/21)	2022 -23	£7,500	N	N	Reporting on regulatory returns
Assurance – Housing benefits (2020/21)	2022 -23	£30,000	N	N	Reporting on regulatory returns

We do not believe that the previous services detailed above will impact our independence as auditors.

Independence and non-audit services-continued

Service (Financial year)	Timescale service was delivered?	Fees (excluding VAT)	Would the service have been prohibited if we had been auditor?	Has the outcome of the service been audited or reviewed by another firm?	Commentary
Assurance – Pooling capital returns 2021/22	2022-23	£7,500	N	N	Reporting on regulatory returns
Assurance – Teachers Pensions 2021/22	2022	£7,500	N	N	Reporting on regulatory returns
Assurance – Housing benefits 2021/22	Ongoing	TBC	N	N	Reporting on regulatory returns
Assurance – Pooling capital returns 2022/23	2023-24	£10,000	N	N	Reporting on regulatory returns
Assurance – Teachers Pensions 2022/23	2023-24	£10,000	N	N	Reporting on regulatory returns
Assurance – Housing benefits 2022/23	Ongoing	TBC	N	N	Reporting on regulatory returns

We do not believe that the previous services detailed above will impact our independence as auditors.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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London Borough of Barking and Dagenham Council

Sector updates

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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 updates within the sector.

The paper includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- 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.

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up-to-date summary of emerging national issues and developments to support you. We show the current estimated financial trajectory of the sector and we cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

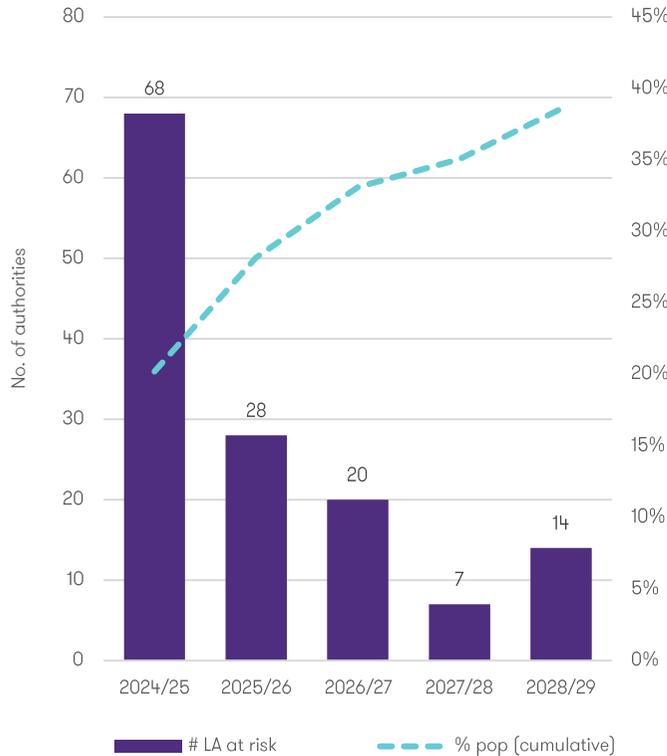
The financial trajectory of the sector

This is taken from the Grant Thornton/CIPFA Financial Foresight model, which provides long-term forecasts (revenue income and expenditure) for all councils in England. These forecasts are based on multiple assumptions relating to financial, demographic and economic factors. Councils at risk are defined by the level of usable reserves being less than 5% of net revenue expenditure.

The year at risk graph on the left represents the most recent update of the assumptions including the impact of the Autumn Statement and draft 2024/25 finance settlement. The graph on the right provides the position before this most recent update. This highlights that the year at risk for many councils has moved forward to 2024/25. The graph at the bottom of the page highlights the forecast depletion of reserves nationally, as councils manage ongoing financial pressures.

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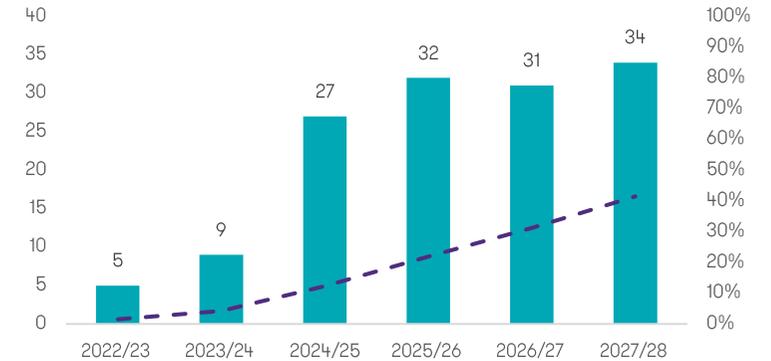
Year at risk (based on Jan 2024 forecast)



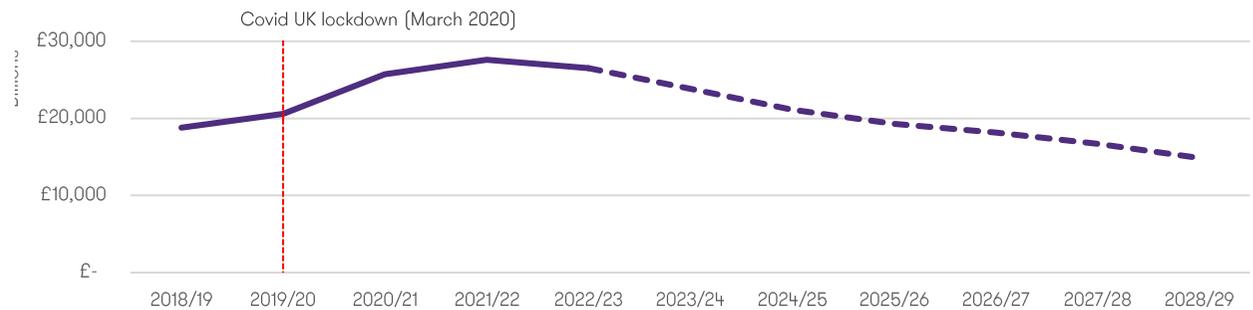
Assumptions



Year at risk (Historic Position)



Level of reserves



Source: Financial Foresight (Grant Thornton and CIPFA)

Addressing the delay in local audit

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November 2022. There has not been a significant improvement since, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated: [About time?: key challenges in local audit accounting](#).

Since 2019 Grant Thornton have increased our public sector audit team from 340 people to circa 470 which reflects both the additional work required by new accounting and auditing standards as well as the NAO Code of Practice requirements on value for money.

On 8th February 2024, DLUHC and the NAO both issued consultations on measures to address the delay in local audit. Consultations are open until 7th March 2024 and relate to:

- DLUHC - changes to the Accounts and Audit Regulations 2015 to introduce a backstop date of 30 September 2024 for the publication of audited accounts up to and including 2022/23, and a series of future backstop dates covering the remainder of the PSAA appointment period; and

- NAO - changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements.

The FRC, as shadow system leader, is facilitating the consultations. CIPFA/LASAAC are expected to go live on their proposals for time limited changes to the Financial Reporting Code for English bodies shortly.

To have your say, navigate to the consultations here:

The DLUHC landing page is here - [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](#)

The NAO landing page is here - [Code of Audit Practice Consultation - National Audit Office \(NAO\)](#)



Grant Thornton report: preventing failure in local government

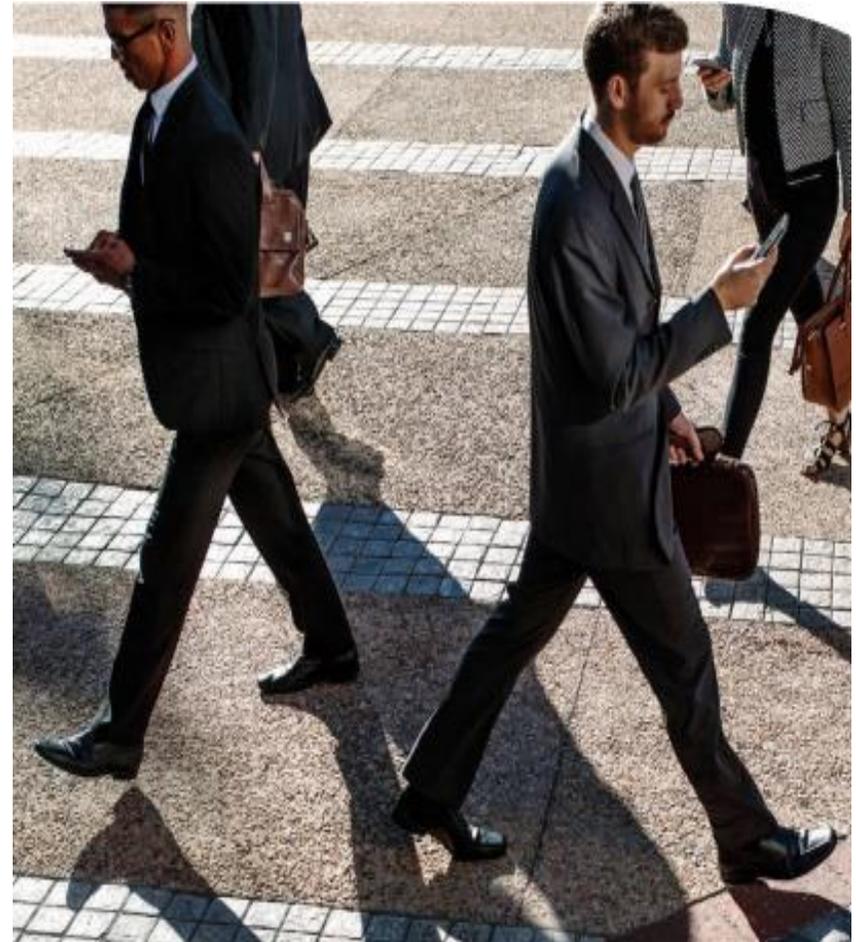
Grant Thornton's December 2023 report Preventing Failure in Local Government offers prescriptions for remedies to support better health across the local government sector. The report looks at the opportunities that councils and their key internal and external players have to prevent failure, noting that the chain (of good governance) is only as strong as its weakest link.

The Audit Committee is listed as one of the key internal bodies with a role to play in preventing failure, along with the Executive, the Overview and Scrutiny Committee and the golden triangle of Chief Executive Officer; Finance Director; and Monitoring Officer. **Opportunities for the Audit Committee to make a difference surround:**

- focusing on risk management alone (not having multiple roles);
- independence (having an independent chair and at least one independent member);
- specialist training and support for members of the committee;
- direction over internal audit (setting the standard for strategic risk focus and timeliness); and
- curiosity and asking the right questions.

Sharing the Auditor's Annual Report with full council is also listed as important. The challenge for Audit Committees will be not only to maximise their own opportunities to prevent failure, but knowing the right questions to ask about whether the Executive and other committees and the three key statutory officers are making the most of their opportunities as well.

For insight into effective questions to ask, read the full report from Grant Thornton here: [How can further local authority failures be prevented? \[grantthornton.co.uk\]](https://www.grantthornton.co.uk)



Mitigating financial distress in Local Authorities

On 29th January 2024, a report by the Levelling Up, Housing and Communities Committee highlighted that in the last six years, eight local authorities have issued a section 114 notice, whereas none had done so in the eighteen years before that.

Income related issues were highlighted in the report around the below-inflation cap on increasing council tax rates (referendum thresholds) and formulaic weaknesses with the business rates retention scheme. Council tax especially was singled-out as regressive, long overdue for reform, and contributing to a disproportionately negative impact on funding levels in the most deprived areas of the country.

Expenditure related issues were listed in the report as surrounding social care; special educational needs and disabilities; and homelessness. The report highlighted that for children's social care, even the Competition and Markets Authority has recognised that the level of competition in the market is "not working as well as it should be" at maintaining prices at reasonable levels for local authority purchasers.

The report shows that nearly one in five Leaders and Chief Executives of other local authorities who have not already issued a s114 notice do assess themselves as being at "tipping point" due to lack of funding.

Whilst most of the recommendations in the report are aimed at Government, there are some **key takeaways for local authorities while they wait for any change that may come:**

- have we set Council Tax at the highest level possible without a referendum? Future changes could see referendum thresholds increased or removed. Are Councils doing all they can now to maximise this source of income?
- are we collaborating as effectively as we can with other local authorities to influence market prices for the services we buy in?

For insight into effective questions that Audit Committees can ask, read the full report here [*Financial distress in local authorities \(parliament.uk\)](https://www.parliament.uk/resources/reports/financial-distress-in-local-authorities)



Learning from the Office for Local Government

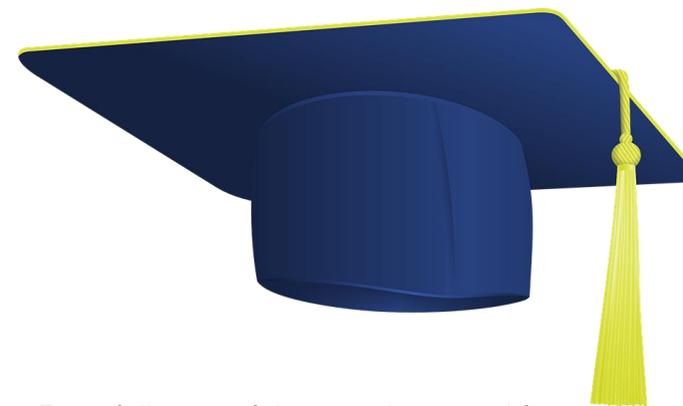
On 15th February 2024, the Secretary of State for Levelling up, Housing and Communities set out, in an open letter to the Chief Executive of Oflog, the strategic remit for Oflog for the financial years 2024 to 2027, and the Office's priorities for the financial year 2024/25. The priorities are to:

- inform;
- warn;
- support; and
- engage.

Using the new Local Authority data explorer tool (launched in July 2023), the Office can currently use metrics on waste management, planning, adult social care, roads, adult skills and corporate/ finance to compare any one authority with the English median, CIPFA nearest neighbours and trends over time. The Office is expected to develop a new early warning system to identify local authorities that are at risk of serious failure (but have not raised the alarm themselves) and to conduct 'early warning conversations' with local authorities at risk. It will be also be offering a programme of webinars to share best practice between local authorities, and to help improve performance, productivity and value for money.

Local Authorities and their members can familiarise themselves now with the data explorer metrics already publicly available. **Challenge questions for Audit Committees to ask include:**

- are the metrics consistent with our own benchmarking?
- are we showing early warning signs?
- what arrangements will we be making to make best use of the learning that will be on offer?



For a full copy of the remit letter and for access to data explorer metrics for your Local Authority see here:

[Remit letter from DLUHC Secretary of State to the Oflog Chief Executive - GOV.UK \[www.gov.uk\]](#)
[About - Local Authority Data Explorer](#)

New workbook to support councillors in their work on community leadership

On 8th February 2024, the Local Government Association published a new workbook for Councillors, covering community leadership.

Effective community leadership matters because communities that are engaged tend to have happier, healthier people and lower levels of crime and anti-social behaviour. Declining voting and increased social detachments from local areas are also a concern. Councillors are in the unique position of being able to interface between citizens and the council and demonstrate directly what they have achieved for the people they represent.

The workbook shows that for effective community leadership, councillors need to:

- listen to and involve their local communities;
- build vision and direction;
- work effectively with partners;
- make things happen;
- stand up for communities;
- empower communities;
- be accountable; and
- use resources effectively.

With challenge questions; case studies; guidance, hints and tips; and a dedicated section for the opposition, the workbook makes for interesting reading for any councillor – new or already established.

[A councillor's workbook on community leadership | Local Government Association](#)



Making the most of levelling-up funds to local government

In November 2023, the National Audit Office published its report on whether the Department for Levelling Up, Housing and Communities' levelling up funds are likely to deliver value for money. The three significant funds are the Towns Fund (Town Deals and Future High Streets Fund programmes); the Levelling Up Fund (local priorities with a visible impact); and the UK Shared Prosperity Fund (to increase life chances and build pride in place). Between them, these funds are worth up to £10.6 billion and aim to allocate £9.5 billion to local places to be spent by 31 March 2026. However, less than half of the monies given to local places across the three schemes by 31 March 2023 had been spent. Because under current arrangements the funds are time limited, there is a risk that some projects may never be started and others, in the haste to complete, may include sub-optimal decisions.

Many of the delay factors are beyond Local Authorities' control: Rising costs, skills shortages and supply issues in the construction industry. However, the report does highlight that there are things Local Authorities can do to help with unblocking.

Key questions that Audit Committees can ask are:

- do we know which of our projects are on track and which are at risk?
- have all projects got their main contractor in place?
- has full advantage been taken of the ability to move money between sub-projects within individual bids?
- is advantage being taken of the ability to make changes to the scope and scale of projects without seeking approval if the changes do not exceed a 30% threshold?
- are projects being prioritized? So that those that can complete to time, do complete to time?

For the full report and an insight into wider recommendations for the Department, see [*Levelling up funding to local government \(nao.org.uk\)](https://www.nao.org.uk/publications/2023/levelling-up-funding-to-local-government/)

£10.6bn	total amount announced through the Towns Fund, Levelling up Fund and UK Shared Prosperity Fund, to support the government's levelling-up agenda across the United Kingdom between 2020-21 and 2025-26
£9.5bn	the amount the Department for Levelling Up, Housing & Communities (DLUHC) has allocated to local places to be spent by 31 March 2026
£2.0bn	the amount DLUHC has given to local places so far across the three funds at 31 March 2023
£0.9bn	the amount spent by local places at 31 March 2023

Helping to avoid the “doom loop” for adult social care

In October 2023, the annual Institute for Government / Chartered Institute of Public Finance and Accountancy (CIPFA) public services stocktake revealed that adult social care services are likely to be performing worse in 2027/28 than they were on the eve of the Covid-19 pandemic, and much worse than they were in 2009/10. The report describes the impact across nine different public services of successive governments’ short-term policy making; under-investment in capital; and workforce crisis. For adult social care, it highlights that under current funding arrangements, a return to pre-pandemic levels of performance seems unlikely. The report describes a “doom loop” for adult social care, resting on:

- staffing problems and capacity being worse than they were before the pandemic: Vacancy rates in 2022/23 sat at 9.9%. They were 6.7% in 2019/20;
- growing demand: Since 2015/16, the number of requests for adult social care support from new clients has increased by 22.1% for 18–64-year-olds;
- erosion of cash settlements: Settlements announced in 2021 and 2022 have been eroded over time, due to higher than anticipated pay awards and national inflation; and
- sector-specific inflation: Unit costs of adult social care packages are now much higher than they were before the pandemic. According to a survey of directors of adult social services, this has been driven by increasing complexity of care needs, staffing costs and wider inflationary pressures.

There has been no immediate sign of relief from central government. The Autumn Statement in November 2023 made no new funding available for public services, and spending increases beyond April 2025 of less than 1% in real terms are expected.

Audit Committees can help by asking the right questions. What steps do their entities take to make sure staff costs are managed effectively – with as high a ratio as possible being on substantive staff, for stronger consistency and continuity? What assumptions about future funding are their entities making in their budgets? What are the procurement and brokerage arrangements for purchasing care packages in what is, at present, a supplier’s market?

Service	Performance on the eve of pandemic v 2009/10	Performance now v on the eve of pandemic	Funding adequate to	
			Return to pre-pandemic performance levels by the end of 2024/25	Maintain performance levels between the end of 2024/25 and 2027/28
Adult social care	↓ Much worse	↘ Worse	No	Maybe

For the full report and a sense of how other public services are faring as well, see [Performance Tracker 2023 | Institute for Government](#)



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Informing the audit risk assessment for London Barking and Dagenham 2023/24

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between London Borough of Barking and Dagenham's (LBBD) external auditors and LBBD's Audit and Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Standards Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Standards Committee and supports the Audit and Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures, we are required to obtain an understanding of management processes and the council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from LBBD's management. The Audit and Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2023/24?</p>	<p>The 2023/24 financial year has been dominated by the cost-of-living crises due to inflation and increase in interest rates. This has impacted significantly on the finances of the council (that is still recovering from the unprecedented impact of the Covid 19 pandemic) which have seen increases in costs but no commensurate increase in grants from the Central government.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by LBBDD? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Yes – the Council has reviewed the accounting policies; there have been no events or transactions that have given cause for significant change in the 2023/24 financial year.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Yes – as set out in the Financial Instruments note to the Accounts – activity in 2023/24 is broadly similar to that of previous years and there are no derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>Yes – the liquidation of one of the subsidiaries of the council – BeFirst (Muller) Ltd and the repayment of the equity investment in the company and final distribution of dividend.</p> <p>The Council has also established an Investment and Acquisition Strategy to invest in housing and regeneration in the borough which is predominantly delivered through a lease and lending arrangement with its Reside subsidiaries. While this is now normal business for the council, it is outside of the normal course of business for local authorities and the transactions involved are significant and material</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Assets have been valued with due regard to the current economic climate in the United Kingdom and in accordance with RICS or other industry guidelines.
6. Are you aware of any guarantee contracts? If so, please provide further details	Management is not aware of any material guarantee contracts.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	The Council is not aware of the existence of any significant loss contingencies and/or un-asserted claims that may affect the financial statements.
8. Other than in house solicitors, can you provide details of those solicitors utilised by LBBD during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council has an internal Legal Department, supported by third parties which are commissioned where necessary – contact details have been provided to the auditor.

General Enquiries of Management

Question	Management response
<p>9. Have any of the LBBD's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>Management is not aware that any of LBBD's service providers have reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements.</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>Link Asset Services - The Council has consulted with Link who have provided treasury advice and in relation to general treasury investment.</p> <p>PwC – The Council subscribes to a tax advice helpline for provision of advice regarding indirect taxation (typically VAT and SDLT).</p> <p>Wilks Head & Eve and Lambert Smith Hampton – property valuation</p> <p>Analyse Local – Collection Fund provisions</p> <p>Barnett Wadingham – Pension Fund Actuary</p> <p>Major capital and regeneration projects typically require procurement of professional advice concerning, amongst other things (and as relevant), legal and property consultation etc. Details are available from relevant services and project managers.</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>Yes – the council has calculated and adjusted for expected credit losses and have made provisions under IFRS9 for Accounts Receivable debtors and loans.</p>

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Standards Committee and management. Management, with the oversight of the Audit and Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As LBBB's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Standards Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from LBBB's management.

Fraud risk assessment

Question	Management response
<p>1. Has LBBDD assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the council's risk management processes link to financial reporting?</p>	<p>Yes, the risk has been considered.</p> <p>The Council adopts Counter Fraud Policies & Strategy. It consists of trained managers, investigators and intelligence officers who investigate allegations of fraud against the Council, or who undertake pro-active fraud reviews (similar to audits) of Council services. The Committee receives detailed reports from the Counter Fraud service every 3 to 6 months.</p> <p>The Council publishes guidance for staff for identifying and reporting suspected fraud. This includes a dedicated and anonymous 'whistleblowing' process.</p> <p>Every year, the Anti-bribery and Corruption Policy, Money Laundering Policy, Fraud Response Plan have been reviewed and are refreshing the risk assessment to inform our work.</p> <p>For the period 1 April 2023 to 31 December 2023, the team identified 14 positive outcomes, including 8 recovered tenancies.</p> <p>A comprehensive risk register is maintained by the Council and is reviewed each quarter. This risk register considers all risks including fraud. A risk update report is presented to the Audit and Standards Committee each year and an annual risk report, covering the councils risk strategy and management action.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The Council has a robust framework of internal controls and effective processes and policies to prevent; fraud, bribery, money laundering etc. However, there are always areas within any organisation that are at risk of fraud. As part of the preparation of the annual audit plan, a fraud risk assessment is carried out to ensure that those areas of high risk are included. These areas include procurement, employee fraud, and tenancy fraud. Other areas of risk to fraud are Right to Buy, NNDR, Council Tax (Single Payer Discounts), Blue badges and Freedom passes, all of which are subject to audit reviews.</p> <p>The Council will continue to review new and emerging fraud risks.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within LBBDD as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>Please see the Counter Fraud report for the period ending 31 December 2023 which is considered by Strategic Leadership Team Assurance meetings and presented to the Standards and Audit and Standards Committee:</p> <p>23/24 Q3 Counter Fraud Report</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Please see the Counter Fraud report for the period ending 31 December 2023 which is considered by Strategic Leadership Team Assurance meetings and presented to the Audit & Standards Committee:</p> <p>23/24 Q3 Counter Fraud Report</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within LBBDD where fraud is more likely to occur?</p>	<p>Certain areas will be susceptible to increased risk of fraud as set out in the response to question 2, above. The Council reports fraud risks and detected instances of fraud through the periodic fraud reporting to the Audit & Standards Committee.</p>
<p>6. What processes do LBBDD have in place to identify and respond to risks of fraud?</p>	<p>The Council adopts a Counter Fraud Policies & Strategy. It consists of trained managers, investigators and intelligence officers who investigate allegations of fraud against the Council, or who undertake pro-active fraud reviews (similar to audits) of Council services. The Committee receives detailed reports from the Counter Fraud service every six months. The Council publishes guidance for staff for identifying and reporting suspected fraud. This includes a dedicated and anonymous 'whistleblowing' process.</p> <p>Over the past year, the Anti-bribery and Corruption Policy, Money Laundering Policy, Fraud Response Plan have been reviewed and are refreshing the risk assessment to inform our work.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for LBBD, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Internal controls, including segregation of duties, are in place and these controls are reviewed regularly as part of the work carried out by Internal Audit and the Counter Fraud team.</p> <p>The Head of Assurance is the Council's Chief Audit Executive and publishes an annual opinion on the system of internal control as well as giving periodic updates to the Audit and Standards Committee on progress against the audit plan.</p> <p>Not applicable – internal controls are in place.</p> <p>The other controls in place include access control, supervisor review/authorisation, reconciliation, training and policies and procedures.</p> <p>No</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>No</p>

Fraud risk assessment

Question	Management response
<p>9. How does LBBD communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Council publishes guidance for staff for identifying and reporting suspected fraud. This includes a dedicated and anonymous 'whistleblowing' process. The guidance is published both on the council internet and intranet pages Staff are expected to report any suspected fraud or irregularity.</p> <p>For a summary of activity and issues reported please see the Counter Fraud Service performance report for the year ending 31 March 2023 here: Counter Fraud Annual Report</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>There will, naturally, be posts which are at a higher risk of fraud and corruption than others; these will typically be posts which:</p> <ul style="list-style-type: none"> • are involved in the granting of financial aid, relief and benefits etc. • have access and authority to set up new customers and access to cash and bank accounts • have responsibility for the award of significant contracts <p>We have a variety of specific controls in place including separation of duties, access control and independent reconciliation for the areas highlighted. In addition, global controls include the governance structure (as set out in the constitution), the Corporate Revenue and Capital monitoring processes and anti-bribery and anti-fraud policies. Procedures are regularly reviewed, and internal controls tested and assessed through the internal audit process to ensure that they are sound enough to prevent or detect fraud insofar as is possible.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>The risks are mitigated by the annual declaration and examination of these relationships and transactions in the Statement of Accounts.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Standards Committee?</p> <p>How does the Audit and Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Fraud risks and outcomes are reported to Audit & Standards Committee on a 3-6 monthly basis. The Head of Assurance and Strategic Director of Finance & Resources has the ability to report directly to the Chair of the Audit & Standards Committee or the Chief Executive where appropriate.</p> <p>A comprehensive risk register is maintained by the Council and is reviewed each quarter. This risk registers consider all risks including fraud. A risk update report is presented to the Audit & Standards Committee each year and as well as an annual risk report, covering the Council's risk strategy and management action.</p> <p>Please see the Annual Counter Fraud report for the period ending 31 March 2023 which is presented to the Audit & Standards Committee:</p> <p>Counter Fraud Annual Report</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Please see the Annual Counter Fraud report for the period ending 31 March 2023 which is presented to the Audit & Standards Committee:</p> <p>Counter Fraud Annual Report</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No reports have been made under the Bribery Act so far in 2023/24.</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Standards Committee, is responsible for ensuring that LBBB's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Standards Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does LBBB have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the council's regulatory environment that may have a significant impact on the council's financial statements?</p>	<p>Policies and procedures are established across the organisation to ensure compliance with laws and regulations. This includes an Employee and Members Code of Conduct. These are available via the Council's intranet.</p> <p>All decision reports require legal implications to be completed which include compliance with laws and regulations. The Council has an in-house legal team and a Monitoring Officer who considers legality, conduct and the proper operation of the Council's constitution and governance arrangements. The Monitoring Officer is part of the Strategic Leadership Team. Management is not aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements.</p>
<p>2. How is the Audit and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The need to ensure that the Council operates lawfully and in compliance is the specific duty on the S.5 Local Government and Housing Act 1989 Monitoring Officer who is also a professional lawyer with a comprehensive legal team. The Monitoring Officer works closely with the Section 151 Officer and the Head of the Paid Service (Chief Executive). The duty to ensure legality is broader than just reporting to the Audit & Standards Committee which is just one of many Committees. All reports whether to Council bodies or officer delegations are subject to legal implication contributions. A key assurance is the Annual Governance statement which at LBBB is a comprehensive document reflecting CIPFA guidance.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details</p>	<p>Not to management's knowledge.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>There are no material litigations, claims or contingent liabilities which may affect the financial statements.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does LBBD have in place to identify, evaluate and account for litigation or claims?	The Council's Legal Services are provided by the legal team. They review outstanding litigation and correspondence to assess the likelihood and quantum of outstanding and potential claims. The Council's Finance team are also asked to disclose any litigations and claims they are aware of as part of year-end outturn processes.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No

Related Parties

Matters in relation to Related Parties

LBBB are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by LBBB;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the council, or of anybody that is a related party of the council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Is the council expecting there to be any changes in the related parties disclosed in LBBB's 2023/24 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and LBBB • whether LBBB has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>There have not been any significant changes from the previous year.</p>
<p>2. What controls does LBBB have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>All members complete a declaration of pecuniary interests under the Localism Act 2011 and the Councillors' Code of Conduct (updated December 2021) and it is the responsibility of members to inform Legal services of any new interests. The register of interests can be found in the Council's website. As part of the preparation of the financial statements, management also undertake a specific exercise each year to identify related party transactions and relationships and these are disclosed in the Statement of Accounts. Information for this disclosure is gathered from the Council's members and chief officers through a formal process.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Members are required declare and to excuse themselves as necessary from decision making where they have a pecuniary interest (see Councillors' Code of Conduct, Section 6). Internal controls are in place to ensure that finance processes and procedures are followed when a payment is being made, including segregation of duties for authorisation and payment, and invoices are being raised regardless of whether they are related parties' transactions or not.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Any significant transaction would be captured by standing authorisation processes and limits as set out in the financial procedure rules as part of the constitution.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by LBBB will no longer continue?	The Medium Term Financial Strategy and the Budget setting process of the council enables it to identify events or conditions which may indicate that the statutory services may no longer continue
2. Are management aware of any factors which may mean for LBBB that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No – the council has put forward a balanced budget for the 2024/25 financial year and does not include ceasing or scaling back of any statutory services..
3. With regard to the statutory services currently provided by LBBB, does the council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for LBBB to cease to exist?	Yes – the council expect to continue to deliver statutory services for the foreseeable future
4. Are management satisfied that the financial reporting framework permits LBBB to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes – management is satisfied

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	There are a number of areas in which estimates require significant judgement, for example: depreciation, valuation of assets, provisions including Business Rate appeals and the recoverability of debtors.
2. How does the council's risk management process identify and address risks relating to accounting estimates?	The Council identifies and assesses the major sources of estimation uncertainties as part of the preparation of the statement of accounts.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Management consider the information available within the Council and information provided by staff and advice of external experts.
4. How do management review the outcomes of previous accounting estimates?	Actual outcomes, when available, are compared to estimates to know and understand when estimates are materially different to actuals.
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Management will periodically review the need for specialist skills in arriving at accounting estimates. The key areas remain property valuation, financial instrument valuation, assessment of pension liability and estimation of business rate appeals provision and there are established processes in place for obtaining expert advice in these areas.</p>
<p>7. How does the council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Significant estimates are, generally, assessed with the support of external expertise. Consideration of control activities, process, methods and models will form part of the contracting and instruction process. Relevant in-house experts and/or the relevant clienting function will review method statements and outputs etc in concert with corporate finance (and the expert as necessary) prior to the inclusion of estimates in the accounts. Corporate finance undertake reasonableness checks, such as analytical review of outputs and seek explanations for changes as necessary.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>See response to question 7 above.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>See response to question 7 above.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	When actual outcomes are compared to estimates, it has not been materially different.
12. How is the Audit and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The statements of accounts includes a disclosure on the assumptions made about the future and other major sources of estimation uncertainty which is reviewed by the members of the Audit & Standards Committee.



AUDIT AND STANDARDS COMMITTEE**26 MARCH 2024**

Title: BDO's Audit Progress report and Sector update	
Report of the Section 151 Officer	
Open Report	For Information
Wards Affected: All	Key Decision: No
Report Author: Yinka Ehinfun, Interim Chief Accountant	Contact Details: E-mail: Yinka.Ehinfun@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 & S151 Officer	
Summary	
<p>This report presents to the Committee the outgoing external auditor's (BDO) progress report in relation to their audit of the Council's Statement of Accounts for 2019/20. The update is broadly in line with their last report presented to the Committee in January 2024.</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 to be 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.</p> <p>At its last meeting the Committee asked for a breakdown of the 2019/20 additional fees. BDO has included a note on this in the report that the fee is indicative at this point but has still not provided a value for the indicative fee.</p> <p>.</p>	
Recommendation(s)	
The Audit and Standards Committee is recommended to note the content of this report.	
Reason(s)	
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.	

1. Introduction and Background

- 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 A schedule of additional fees incurred to date has been promised on a number of occasions by BDO but has still not been provided. The minutes from the last Committee meeting indicate that the exiting partner agreed to send the breakdown to the Council's S151 Officer the following day and it should be noted that this has still not been provided.
- 1.3 Discussions also took place at the last Committee meeting in relation to what action could be taken in relation to BDO's decision to extend their target completion date by 7 months from January 2024 to August 2024. The S151 Officer stated that, in their opinion, the delay was unreasonable and without appropriate justification.

2. 2019/20 Audit Update

- 2.1 BDO has still not taken steps to bring forward the target date for completion and the timetable presented in their report is the same as was brought to the Committee in January 2024.
- 2.2 On their audit timetable, they have included those tasks they intend to achieve between July and August 2024, one of which is to meet with officers to discuss key audit findings. Members should note that a substantial number of audit findings have been reported at previous meetings. Members are reminded that the audit has been ongoing for over two years and the Committee has received numerous progress reports during this time.
- 2.3 BDO has stated in the report that they propose a variation to the 2019/20 scale fee and that this variation is indicative, reflecting that the audit is not yet complete. However, the report does not include an actual indicative fee.
- 2.4 Since the last Committee, the S151 Officer has submitted a further, formal complaint to BDO about the delay in the completion of 2019/20 audit and the receipt of the complaint has been acknowledged.

3. Update on later years

- 3.1 The Council's finance team is working towards publishing the draft accounts for the 2020/21 and 2021/22 financial years by 31 March and the 2022/23 draft accounts in April 2024.
- 3.2 Given the significant delays in concluding the 2019/20 audit, these later years' accounts will now be dealt with under the new backstop arrangements which are still subject to consultation and a full audit opinion will not be provided. An update will be provided to the Committee on the exact arrangements once the consultation has closed and formal guidance issued to all parties.

- 3.3 The draft accounts for those years will have to be published which will be followed by the notice of inspection which will run for 30 working days.

4. Options Appraisal

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

5. Consultation

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

6. Financial Implications

Implications completed by: Michael Bate – Deputy S151 Officer

- 6.1 There was no information on the 2019-20 additional fees which would have enabled the Council to plan appropriately for the payment subject to review by officers.
- 6.2 There continues to be a risk with the audit remaining outstanding as it does not allow for the provision of appropriate assurances on the overall financial standing of the Council. The Government is considering a backstop arrangement to clear all audits, with a consultation in the process of being released. However, there remains a question around unknown risks that may not have been identified and resolved. This could have a potential impact on future revenue budgets.

7. Legal Implications

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

- 7.1 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. An essential component of sound administration is a sound audit function.
- 7.2 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, and
 - observed proper practices in the preparation of the statement of accounts; and that the statement presents a true and fair view.
- 7.3 This is supported by the 2020 Code of Audit Practice published by the National Audit Office. Auditors now need to report significant weaknesses in arrangements when they identify them and make recommendations for improvement. A document called the Auditors Annual Report will cover arrangements for financial

sustainability, governance and improving value for money. Audited bodies are required to publish the Auditors Annual Report on their Website.

- 7.4 The delay in completing local audits is a significant risk factor multiplied by the fact that for Barking and Dagenham's local audit is now several years behind the statutory target. It means that any signifiers of concern which may be highlighted by the local audit are submerged until the audit is completed. This weakens financial governance as the safeguard of an objective review by a professional audit is not at its full effectiveness. As detailed in the report to this Committee, there will be a change in the local auditor, and it will be a critical success factor for the Council and the new local auditor that their first local audit is effective as may be reasonable in all the circumstances in achieving completion to the statutory audit target date.

8. Other Implications

- 8.1 **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 determination of fees create risks of uncertainty for the Council and future revenue budgets.

List of appendices:

- **Appendix A** – BDO Audit Progress Report: year ended 31 March 2020 - March 2024

Report to the Audit and Standards Committee

LONDON BOROUGH OF BARKING AND DAGENHAM

Audit Progress Report: year ended 31 March 2020

AUDIT UPDATE



At Audit and Standards Committee on 30 January 2024 we presented to members an indicative timeline for completion of our audit of the Council's 2019/20 financial statements. On the following page we have provided an update on the progress of that audit.

On page 4 of our report we have provided some background to recent consultations aimed at addressing the significant backlog in audits across the local government sector. As we note elsewhere in this report, we expect to conclude our audit of the Council's financial statements for the year ended 31 March 2020 in advance of the backstop date included in the consultation. However, for our audit of the Council's financial statements for the years ended 31 March 2021, 31 March 2022, and 31 March 2023, subject to the outcome of these consultations, we expect to issue a disclaimed audit opinion.

On page 5 of our report we have also provided an update on our audit fees, including an indication of the variation to the 2019/20 scale fee that we are likely to seek.

We look forward to discussing our report with you.

Steve Bladen

15 March 2024



BDO AUDIT TIMETABLE

We have set out below progress against the actions we set out in our last report to the Committee.

JANUARY 2024

- ▶ Met with senior members of the Council's finance team and the Chair of Audit and Standards Committee to provide an update on changes at Key Audit Partner level
- ▶ Provided an update report to the Audit and Standards Committee

FEBRUARY - APRIL 2024

- ▶ Completion of Senior Manager review of completed audit procedures and clearance of review points raised [In progress]
- ▶ Completion of Key Audit Partner reviews and audit team clearance of review points raised [In progress]
- ▶ Clearance of review points raised by BDO's Financial Reporting Technical Standards reviewer on the draft financial statements [In progress]
- ▶ The Council to respond to further questions relating to audit procedures and provide additional information as required [In progress]
- ▶ Provide update report to the Audit and Standards Committee [In progress]

MAY - AUGUST 2024

- ▶ Finalise our audit procedures [On track]
- ▶ Review revised financial statements if required [On track]
- ▶ Reconsider any new information that has arisen [On track]
- ▶ Completion of BDO's internal quality review procedures [On track]
- ▶ Meet with Officers to discuss key audit findings [On track]
- ▶ Draft report for Those Charged With Governance [On track]
- ▶ Report the final position to Those Charged With Governance [On track]
- ▶ Issue 2019/20 auditor's report [On track]

SEPTEMBER 2024

- ▶ Subject to the outcome of the consultations on the Accounts and Audit Regulations 2015 and the National Audit Office Code of Audit Practice for the years 2020/21 - 2022/23 we will:
 - Issue Auditor's Annual Report and commentary on VFM covering period [On track]
 - Issue auditor's reports in line with new code requirements [On track]

SECTOR UPDATE

On 8 February 2024, a consultation was launched as part of a cross-system effort to address the backlog in local government audits across the sector. In summary:

- The Department for Levelling Up, Housing and Communities sought views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The National Audit Office sought views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

Further details can be found [here](#).

Key elements of the consultation included proposals for:

- Auditors to produce a single commentary on value for money arrangements covering all outstanding periods up to 2022/23
- A proposed backstop date of 30 September 2024 for auditors to issue audit opinions, including modified or disclaimed opinions due to the backstop, for all periods up to and including 2022/23
- A series of backstop dates for later periods of account

BDO responded to both consultations. We await the Government's final proposals but continue to consider the implications for our audit of future periods.

On 29 February 2024, the Chartered Institute of Public Finance and Accountancy (CIPFA) launched its Invitation to Comment on short term proposals intended to help address the backlog of local authority audits. After considering a wide range of options CIPFA decided to explore two approaches. These would affect the 2023/24 and 2024/25 Codes, by providing:

- An option to simplify measurement of operational property plant and equipment using specified indexation, and
- Reduced disclosures for pensions reporting, by aligning that reporting with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland

The Invitation to Comment can be found [here](#).

PSAA set the scale fee for audits covering the periods 2019-20 to 2022-23 at £127,801 (net of any rebate given by PSAA for the 2022-23 year).

2018/19

We have previously reported that we would seek an addition to the scale fee of £301,990. We agreed this additional fee with the Council's former Strategic Director, Finance and Investment (s151 officer) and have reported the variation to the Audit and Standards Committee on 4 October 2023 and 30 January 2024. We have submitted documentation supporting this additional fee to Public Sector Audit Appointments Limited (PSAA). PSAA will now determine that request.

2019/20

For our audit of the Council's 2019/20 financial statements, we will seek a variation to the 2019/20 scale fee, reflecting the additional work and costs we have incurred in relation to our audit of the 2019/20 financial statements. These include:

- Additional work undertaken to test the valuation of Property, Plant and Equipment assets, and recharges. As previously reported our testing identified material misstatements in these areas.
- Additional work undertaken to test Infrastructure assets
- Work undertaken to test the consolidation of subsidiary entities into the Council's group financial statements
- Additional risks and increased testing required because of issues identified with the Council's 2018/19 financial statements

We propose a variation to the 2019/20 scale fee. This variation is indicative, reflecting that our audit is not yet complete. We will confirm any variation to the Council following completion of our audit. In seeking a variation to the scale fee, we will follow PSAA's approval process. This will include a further discussion with the Council's s151 Officer and reporting to Those Charged with Governance.

2020/21 - 2022/23

PSAA will use its fee variation process to determine the final fees local public bodies will have to pay in relation to delayed audits.



FOR MORE INFORMATION:

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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 Council 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 & STANDARDS COMMITTEE**March 2024**

Title: Draft Internal Audit Charter, Strategy and Plan for 2024/25	
Open Report	For Discussion & Agreement
Wards Affected: None	Key Decision: No
Report Author: Christopher Martin, Head of Assurance	Contact Details: Tel: 07870 278188 E-mail: Christopher.Martin@lbbd.gov.uk
Accountable Director: Jo Moore - Strategic Director, Resources	
<p>Summary:</p> <p>The Internal Audit Charter defines the purpose, activity and responsibility of Internal Audit activity and is reviewed and presented annually for approval. It has been reviewed by the Head of Assurance and contains minor amendments as summarised below.</p> <p>The Internal Audit Strategy for 2024/25 onwards details how the Internal Audit service will be delivered and is reviewed and presented annually for approval. It has been reviewed by the Head of Assurance to ensure that it reflects current practice.</p> <p>The Internal Audit Plan 2024/25 has been developed in line with the Charter and Strategy. It has been fully funded to enable production of an effective annual Internal Audit opinion.</p>	
<p>Recommendations:</p> <p>The Audit and Standards Committee is asked to:</p> <ul style="list-style-type: none"> (i) Approve the draft Internal Audit Charter (ii) Approve the draft Internal Audit Strategy 2024/25 (iii) Approve the draft Internal Audit Plan 2024/25 	

1 Internal Audit Charter (“the Charter”)

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of the Internal Audit activity to be formally defined in an Internal Audit Charter. The PSIAS require periodic review of the Charter by the Chief Audit Executive (Head of Assurance) and to be presented to senior management and the board for approval.
- 1.2 The Charter is reviewed at least annually by the Head of Assurance and presented for approval. The Charter was last presented to the Audit and Standards Committee in May 2023.

- 1.3 The Charter has been updated by the Head of Assurance to reflect current reporting lines and changes to responsibilities. Tracked changes have been highlighted as requested.
- 1.4 The Internal Audit Charter is set out at Appendix 1 of this report and is presented for approval.

2 Internal Audit Strategy (“the Strategy”) 2024/25

- 2.1 The Strategy details how the Internal Audit service will be delivered, in line with the Charter and includes:
 - Resources,
 - Approach to preparing and delivering the internal audit plan,
 - Quality assurance,
 - Reporting,
 - Follow-up,
 - Annual opinion, and
 - Performance monitoring.
- 2.2 It is presented at least annually for approval. The Strategy was last presented to the Audit and Standards Committee in May 2023 and has been updated by the Head of Assurance to reflect minor changes in working practice as a result of the recent external assessment against the Public Sector Internal Audit Standards.
- 2.3 As noted at Section 3 of the Strategy, the Internal Audit service is provided by a small in-house team supported by externally provided resources. The in-house team currently consists of the Head of Assurance whose remit amongst other related services includes Internal Audit. There is also a fully qualified Internal Audit Manager, a fully qualified Principal Auditor and two Audit Apprentices.
- 2.4 It is proposed that the existing arrangement to co-source external support from both Mazars and PwC via the appropriate framework contracts is continued into 2024/25.
- 2.5 As noted at section 4 of the Strategy, all London Borough of Barking and Dagenham’s activities (including those delivered by external providers) and legal entities are within the scope of Internal Audit. As a result, the Internal Audit plan includes risk-based audit activity in the Council’s companies. Internal Audit will not cover all activities of the companies, although they may request this at a cost.
- 2.6 The Strategy is set out at Appendix 2 and is presented for approval.

3 Internal Audit Plan (“the Plan”) 2024/25

- 3.1 The Plan has been developed in line with the Charter and Strategy. It details the planned use of Internal Audit resources for 2024/25, including draft audit titles and proposed audit objectives. It is compiled at least annually prior to the commencement of each financial year and reviewed periodically to reflect any relevant changes.

- 3.2 The plan includes the number of days allocated to each project for transparency, clarity and ease of planning. An increased number of days within the plan have been held back as contingency to reflect the fact that the environment within which the Council is operating is fast paced and many risks and challenges present themselves during the year and require an immediate response.
- 3.3 The Plan is set out at Appendix 3 and is presented for approval.

4 Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Solicitor

- 4.1 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.
- 4.2 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.
- 4.3 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.

5 Financial Implications

Implications completed by: Nish Popat, Deputy S151 Officer

- 5.1 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.

6 Other Implications

- 6.1 **Risk Management** – The internal audit plan is risk-based and therefore supports effective risk management across the Council.
- 6.2 **Contractual issues** – As detailed above, delivery of the internal audit service will utilise two contracts, one with PwC and one with Mazars. Contracts for both organisations are in place following procurement processes undertaken by other London Boroughs.

6.3 **Staffing issues** – There is no impact on current staff.

6.4 **Corporate policy and customer impact** – The internal audit service is aligned to corporate objectives. No impact on race, gender, disability, sexuality, faith, age or community cohesion.

6.5 **No other implications to report**

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

8 **List of appendices:**

Appendix 1: Internal Audit Charter

Appendix 2: Internal Audit Strategy 2024/25

Appendix 3: Internal Audit Plan 2024/25

Appendix 1: Internal Audit Charter

Contents:

1. Introduction
2. Purpose
3. Scope
4. Authority
5. Responsibility
6. Independence
7. Professional competence and due care
8. Reporting and monitoring

1. Introduction

Regulation 5 (1) of the Accounts and Audit Regulations 2015 requires that; '*A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector [Internal audit standards and guidance](#)*'.

This Internal Audit Charter provides the framework for the conduct of the Internal Audit function in the London Borough of Barking and Dagenham and has been approved by the Audit and Standards Committee. It has been created with the objective of formally establishing the purpose, authority and responsibilities of the Internal Audit function.

It is reviewed, updated as required and reported to the Audit and Standards Committee for consideration at least annually.

2. Purpose

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

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

In a local authority, Internal Audit provides independent and objective assurance to the organisation, its Members, the Senior Leadership Team and in particular the [Finance Director/S151 Officer](#) to help them discharge their responsibilities under s151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

Within an organisation, there are three lines of defence in place to effect controls. The first line

of defence is the day-to-day operational controls, the second is the management controls (budget & performance monitoring, trend analysis) and the third is independent inspection, both internal & external. Internal audit forms part of the third line of defence and provides assurance on the effectiveness of governance arrangements, risk management and internal controls, and this includes an assessment of the effectiveness of the first two lines of defence. Internal Audit can place reliance on assurances provided by third parties, although depending on the source, this may require some independent validation.

3. Scope

All London Borough of Barking and Dagenham's activities (including activities delivered by external providers and wholly/partially owned companies) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk-based approach. Internal Audit does not necessarily cover all potential scope areas every year. The audit programme includes obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls. Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Audit and Standards Committee and the [Strategic Leadership Team Executive](#) through the [Corporate Assurance Board](#).

Notwithstanding Internal Audit's responsibilities to be alert to indications of the existence of fraud and weaknesses in internal control which would permit fraud to occur, the Internal Audit activity will not undertake specific fraud-related work. Fraud-related work is carried out by the Counter Fraud team.

Internal Audit will coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

4. Authority

The Internal Audit function of the London Borough of Barking and Dagenham derives its authority from the Financial Regulations and Rules which form part of the Council's constitution. The Head of Assurance is authorised to have full and complete access to any of the organisation's records, properties and personnel. The Head of Assurance is also authorised to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities and may engage experts to perform certain engagements which will be communicated to management. Internal Audit will ensure confidentiality is maintained over all information and records obtained in the course of carrying out audit activities. All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for that purpose. All Internal Audit staff are responsible and accountable for maintaining the confidentiality of the information they receive in the course of their work.

5. Responsibility

The Head of Assurance is responsible for preparing the annual audit plan in consultation with the Audit and Standards Committee and the Assurance Board, submitting the audit plan, Internal Audit budget, and resource plan for review and approval by the Audit and

Standards Committee, implementing the approved audit plan, and issuing periodic audit reports on a timely basis to the Audit and Standards Committee and the Assurance Board.

The Head of Assurance is responsible for ensuring that the Internal Audit function has the skills and experience commensurate with the risks of the organisation. The Audit and Standards Committee should make appropriate inquiries of management and the Head of Assurance to determine whether there are any inappropriate scope or resource limitations.

Internal Audit provides individual assurance ratings and an annual overall opinion of the internal control environment based on the results of audit work conducted. This annual opinion is reported to the Audit and Standards Committee and the Assurance Board and forms an important part of the formation of the Annual Governance Statement.

It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an Internal Audit function, therefore, does not in any way relieve them of this responsibility.

Management is responsible for fraud prevention and detection. As Internal Audit performs its work programmes, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

In some instances, Internal Audit may rely on assurances provided by other providers of assurance but this will be dependent on the level of associated risk and some degree of independent verification may be required.

6. Independence

Internal Audit staff will remain independent of the business and they shall report to the Head of Assurance who, in turn, shall report functionally to the Audit and Standards Committee and administratively to the Strategic Director, [Finance & Investment Resources](#) (S151 Officer).

The Head of Assurance has full and unrestricted access to the following:

- The Chief Executive;
- The Strategic Director, [Finance & Investment Resources](#) (S151 Officer)
- The Chair of the Audit & Standards Committee
- The Monitoring Officer
- All members of the [Senior Leadership Team Executive](#)

All staff (including agency and contract staff) are required to make annual declarations of any potential conflicts of interest and adhere to confidentiality requirements. As far as resources permit, auditor rotation will be implemented to ensure auditors' objectivity is not impaired.

Internal Audit must ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice. Where

Internal Audit do provide consultancy services, any audit staff involved in this consulting activity will not be involved in the audit of that area for at least 12 months.

Internal Audit must remain independent from the activities that it audits to enable auditors to make impartial and effective professional judgements and recommendations. The Head of Assurance has strategic responsibility for Risk Management, Insurance, ~~and~~ Counter Fraud and is the Council's SIRO and since this role may involve establishing and maintaining the control environment, these functions will be audited independently when necessary by one of the co-sourced providers. The co-sourced providers will report directly to the Strategic Director, Finance & Investment Resources in these instances with support from the Council's Internal Audit Manager who does not have any other operational responsibility. Internal Auditors have no other operational responsibilities towards the systems and functions audited.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Head of Assurance has the freedom to report without fear or favour to all Members and officers, and particularly to those charged with governance.

Accountability for the response to the advice and recommendations of Internal Audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so.

7. Professional competence and due care

The Internal Audit function will adhere to / comply with the following:

- Institute of Internal Auditor's International Code of Ethics
- The Seven Principles of Public Life ('Nolan Principles')
- UK Public Sector Internal Audit Standards
- All Council policies and procedures
- All legislation

All audit work is subject to in house quality control procedures whereby each audit review is subject to senior peer review. The audit service will be subject to an annual self-assessment to assess its compliance with the UK Public Sector Internal Audit Standards and an external review and assessment at least once every 5 years by a suitably qualified, independent assessor. The most recent external assessment was in 2023/24 when the highest level of compliance was reported.

The Head of Assurance is required to hold a relevant professional qualification (CCAB or CMIIA) and be suitably experienced. All staff are required to maintain a programme of Continuous Professional development (CPD) to ensure auditors maintain and enhance their knowledge, skills and audit competencies.

8. Reporting and monitoring

At the end of each audit, the Head of Assurance or designee will prepare a written report and distribute it as appropriate. Internal Audit will be responsible for appropriate follow-up of significant audit findings and validation of agreed action plans. All significant findings will remain open file until cleared by Internal Audit or the Audit and Standards Committee.

The Audit and Standards Committee will be updated regularly on the work of Internal Audit through periodic and annual reports. The Head of Assurance shall prepare reports of audit activities with significant findings along with any relevant agreed action plans and provide periodic information on the status of the annual audit plan.

Periodically, the Head of Assurance may meet with the Chair of the Audit and Standards Committee in private to discuss Internal Audit matters.

The performance of Internal Audit will be monitored through the implementation of a Quality Assurance and Improvement Programme. The results of external and internal assessments will be reported upon completion to the Assurance Board and the Audit and Standards Committee.

Appendix 2: Internal Audit Strategy [2023/24](#)[2024/25](#)

Contents:

1. Introduction
2. Objectives
3. Resources
4. Approach to preparing the Internal Audit plan
5. Approach to delivering the Internal Audit plan
6. Quality assurance
7. Reporting, including rating definitions
8. Annual opinion
9. Follow up of findings and agreed action plans
10. Internal Audit performance monitoring

1. Introduction

The Internal Audit service will be delivered in accordance with the Internal Audit Charter.

The work of Internal Audit is structured through an approved Internal Audit Plan. This is compiled at least annually prior to the commencement of each financial year and reviewed periodically to reflect any relevant changes.

The Internal Audit plan is driven by the Council's organisational objectives and priorities, and the risks that may prevent the Council from meeting those priorities.

2. Objectives

Internal Audit will provide independent and objective assurance to the organisation, its Members, senior management and in particular to the [CFO-S151 Officer](#) to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

It is the Council's intention to provide a best practice, cost efficient Internal Audit service which adds value to the organisations it serves.

The Internal Audit service is an assurance function that primarily provides an independent and objective opinion on the degree to which the internal control environment supports and promotes the achievement of the Council's objectives.

Under the direction of a suitably qualified and experienced Head of Assurance, Internal Audit will:

- Provide management and Members with an independent, objective assurance and consulting activity designed to add value and improve the Council's operations.
- Assist the Audit Committees to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with

- regulatory and statutory requirements;
- Work closely with other assurance providers to share information and provide a value for money assurance service and;
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit will ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. However, Internal Audit will offer advice on the design of new internal controls in accordance with best practice.

3. Resources

The Internal Audit service is provided by a small in-house team, focusing on stakeholder management, solid ongoing working relationships and providing detailed local knowledge. The in-house team is supported by externally provided resources to enable the Council to commission the volumes and specialist skills as required.

In-house skills are refreshed, in line with best practice through such bodies as CIPFA's Better Governance Forum, the Local Authority Chief Auditor Network (LACAN) and the London Audit Group. Appropriate training is identified through the Council's appraisal process and Continued Professional Development of qualified staff.

4. Approach to preparing the Internal Audit plan

The work of Internal Audit is structured through an approved Internal Audit Plan. This is compiled at least annually prior to the commencement of each financial year and reviewed periodically to reflect any relevant changes.

All London Borough of Barking and Dagenham's activities (including activities delivered by external providers) and legal entities are within the scope of Internal Audit. As a result, the Internal Audit plan includes risk-based audit activity in-involving the Council's companies. The Internal Audit activity will not cover all activities of the companies, although the companies may request this activity at a cost.

Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk-based approach. Internal Audit does not necessarily cover all potential scope areas every year.

The Internal Audit plan is driven by the Council's organisational objectives and priorities, and the risks that may prevent the Council from meeting those priorities. This has been achieved through:

- Understanding the Council's vision for the borough and priorities.
- Identifying the auditable areas within the Council aligned to the 'Service Delivery Blocks'.
- Engaging with management throughout the Council to understand key risks, areas of significant change, assurance work to date and other assurance providers.

- Engaging with external audit to consult on audit plans and to seek opportunities for co-operation in the conduct of audit work.
- Understanding emerging issues and potential audit areas from sector and assurance knowledge and understanding.

5. Approach to delivering the Internal Audit plan

The Internal Audit plan will be delivered in line with the Internal Audit Manual. This includes the following key steps:

- 1) Preparation for an audit, including research, a planning / scoping meeting and production of a written Terms of Reference.
- 2) Fieldwork, in line with the stated audit approach in the Terms of Reference. During fieldwork, the auditors will keep the key audit contact updated with progress and potential issues arising. Fieldwork will conclude with an exit meeting confirming all issues arising and discussion of action plans to address.
- 3) Formal reporting of the audit objective and scope, issues identified and agreed action plans. The reporting process will include issue of a draft to confirm factual accuracy and agreement of actions plans prior to finalising.

Terms of Reference and Final Internal Audit reports will include the relevant Strategic Director.

6. Quality assurance

Quality will be assured by adherence to professional auditing standards and through supervision by senior audit staff. The Internal Audit service is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- The relevant Code of Ethics for the professional bodies that members of the service are members of, such as the Chartered Institute of Internal Auditors and the accountancy professions that constitute the CCAB;
- UK Public Sector Internal Audit Standards (PSIAS);
- All Council Policies and Procedures; and
- All relevant legislation.

In accordance with the Accounts & Audit Regulations 2015, an annual review of Internal Audit against the PSIAS will be undertaken. This will be conducted externally at least once every five years in line with PSIAS requirements. Results of reviews will be reported to the Audit and Standards Committee. The Head of Assurance may also carry out the external reviews of other London Borough Internal Audit services as part of [reciprocal/reciprocal](#) arrangements in place.

7. Reporting, including rating definitions

At the end of each audit, the Head of Assurance or designee will prepare a written report detailing the audit objective and scope, findings and agreed action plans. Each audit finding will be rated critical, high, medium or low risk in line with the following risk rating definitions:

<p>Critical ●●</p>	<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.
<p>High ●</p>	<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.
<p>Medium ●</p>	<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.
<p>Low ●</p>	<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.

Each audit report will give an overall assurance level of substantial, reasonable, limited or no assurance, in line with the following assurance level definitions:

Substantial 	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Findings will normally only be Advice and Best Practice.
Reasonable 	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority findings indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical findings will prevent this assessment, and any High findings would need to be mitigated by significant strengths elsewhere.
Limited 	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 findings indicating significant failings. Any Critical findings would need to be mitigated by significant strengths elsewhere.
No 	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.

Reports will be distributed to the key contacts detailed in the audit Terms of Reference, including the appropriate senior manager and relevant Strategic Director. Reports rated "No" or "Limited" assurance will be provided to the Assurance Group.

Summary reports will be provided to the Assurance Group and the Audit and Standards Committee quarterly. These will detail changes to the Internal Audit plan, progress against the plan, summaries of limited or no assurance reports, performance of Internal Audit in delivery of its service and management's performance in implementing critical and high rated findings.

8. Annual Opinion

Internal Audit provides an annual overall opinion of the internal control environment based on the results of audit work conducted. In arriving at the opinion, the Head of Assurance also places reliance on other assurance activities and the governance framework and risk management processes in place.

This annual opinion is reported to the Audit and Standards Committee and the Assurance Group and forms an important part of the formation of the Annual Governance Statement.

9. Follow up of findings and agreed action plans

Internal Audit will be responsible for appropriate follow-up of ~~critical and high rated~~ audit findings and validation of agreed action plans. Management provide corroborating evidence to the auditor demonstrating that the recommendations made have been implemented and a risk-based approach, focusing on critical and high rated findings, is taken to review and validate the information provided.

Internal Audit will perform a full follow up of an area where the audit rating was "no assurance" in the following year.

Findings will remain open until cleared by Internal Audit or the Audit and Standards Committee.

Where reasonable progress is not achieved in addressing the findings, the Assurance Group and/or Audit and Standards Committee may request that the responsible manager / Strategic Director prepare and/or present a report to the Audit and Standards Committee setting out the action plan to address the findings and how residual risks are to be addressed until the action plan is fully delivered.

10. Internal Audit performance monitoring

The following performance indicators will be reported against quarterly to the Assurance Group and the Audit and Standards Committee:

Purpose	Target	What it measures
% of Audit Plan completed (Audits at draft report stage)	>25% by end of Q2	Delivery measure
	>50% by end of Q3	
	>80% by end of Q4	
	100% by end of May of the following year	
Meet standards of Public Sector Internal Audit Standards	<u>Substantial assurance</u> ' <u>Generally Conforms</u> ' or <u>above equivalent</u> from <u>external or annual internal review</u>	Compliant with professional standards
High Risk Actions not addressed within timescales	<5%	Compliance measure
Overall Client Satisfaction	> 85% satisfied or very satisfied over rolling 12-month period	Customer satisfaction

Appendix 3: Internal Audit Plan 2024/25

Contents:

1. Introduction
2. Approach to preparing the Internal Audit plan
3. Basis of the Internal Audit plan 2024/25
4. Internal Audit plan 2024/25
5. Resource requirement and financial implications
6. Internal Audit opinion
7. Changes to the plan

1. Introduction

This Internal Audit plan has been developed in accordance with the Internal Audit Charter and Internal Audit Strategy.

All London Borough of Barking and Dagenham's activities (including outsourced activities) and owned companies are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk-based approach. Internal Audit does not necessarily cover all potential scope areas every year.

2. Approach to preparing the Internal Audit plan

The Internal Audit plan has been developed in accordance with the Internal Audit Strategy through:

- Understanding the Council's vision for the borough and its current strategic priorities:

Vision: A place people are proud of and want to live, work, study and stay.

Key Priorities:

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

- Identifying the auditable areas within the Council aligned to each Strategic Director or Director as appropriate.
- Engaging with management throughout the Council to understand key risks, areas of significant change, assurance work to date and other assurance providers. The Head of Assurance has held meetings with the Executive and other senior Council officers during the formation of this plan.
- Engaging with external audit as appropriate to consult on audit plans and to seek opportunities for co-operation in the conduct of audit work. Grant Thornton, the current external auditors, are in the first year of their contract and this relationship will develop.
- Understanding emerging issues and potential audit areas from sector and assurance knowledge and understanding.

3. Basis of the Internal Audit plan 2024/25

The table below sets out the strategic audit plan by service delivery block, including relevant Internal Audit work from 2019/20 to 2023/24 along with relevant external sources of assurance and the suggested plan for 2024/25.

Audit planning comments	Internal Audit plan 2024/25
Resources	
<p>Previous relevant Internal Audit work:</p> <p><u>2023/24</u></p> <ul style="list-style-type: none"> • Systems Logical Access Review (assurance TBC) • Third Party Contracts (assurance TBC) • Antivirus and Malware (assurance TBC) • Pensions Administration (reasonable assurance) • VAT (substantial assurance) <p><u>2022/23</u></p> <ul style="list-style-type: none"> • General Ledger (substantial assurance) • Pension Fund Investments (reasonable assurance) • Capital Programme (limited assurance) • ERP Post Implementation Review (substantial assurance) • Geographical Information System Review (reasonable assurance) • Cyber Essential Plus (limited assurance) 	<ul style="list-style-type: none"> • SOX Compliance • Mayor's Charity Account • Strategic Procurement • General Ledger & Budgetary Control • Information Governance • Payment Card Industry Data Security Standard - PCIDSS

2021/22

- Sales, Fees and Charges Compensation Scheme (N/A)
- Investment Strategy (Limited Assurance)
- Covid Grant Payments (substantial assurance)
- Insurance (reasonable assurance)
- ERP Implementation (substantial assurance)
- IT Service Management Procurement (reasonable assurance)
- IT Asset Management (reasonable assurance)
- Brexit & Covid Impact (limited assurance)
- Core Transformation (reasonable assurance)
- Cloud IT Provider (reasonable assurance)

2020/21

- Pensions Administration (reasonable assurance)
- Treasury Management (substantial assurance)
- Covid-19 Spend Review (substantial assurance)
- Information Security (limited assurance)
- ERP System Replacement Procurement (substantial assurance)
- Remote Working Security & Resilience (assurance TBC)
- Data Privacy (assurance TBC)

2019/20

- Budgetary Control and Savings Management (reasonable assurance)
- Oracle system (Limited Assurance)
- Information Security – initial review (reasonable assurance)

Other relevant assurance providers:

- External Audit

Workforce Change	
<p>Previous relevant Internal Audit work:</p> <p><u>2023/24</u></p> <ul style="list-style-type: none"> • Mayor's Charity Account (substantial assurance) • Gifts & Hospitality – Staff (limited assurance) • Payroll (reasonable assurance) • HR - Working Patterns (assurance TBC) • Onboarding Process (reasonable assurance) • Access To Work (assurance TBC) • Settlement Agreements (assurance TBC) • Health & Safety (assurance TBC) • Workforce Governance (assurance TBC) <p><u>2022/23</u></p> <ul style="list-style-type: none"> • Payroll & Expenses (limited assurance) • Enforcement service - bailiff system implementation (limited assurance) • Licencing (reasonable assurance) • Trading Standards (substantial assurance) • Sickness & Absence Management (reasonable assurance) • Right to Work in UK - Post Brexit (EU Citizens) (substantial assurance) • Electoral Program (reasonable assurance) • Mayor's Charity Account (substantial assurance) <p><u>2021/22</u></p> <ul style="list-style-type: none"> • Payroll (reasonable assurance) • Mayor's Account (N/A) • HR Service Desk System (reasonable assurance) • DBS Checks (reasonable assurance) • Barking Market (reasonable assurance) • Parking Enforcement (reasonable assurance) • CCTV Operation (Limited Assurance) 	<ul style="list-style-type: none"> • Overtime and Expenses • Use of Agency Staff • Equal Pay Review

<ul style="list-style-type: none"> • Human Resources (Limited Assurance) • Mandatory Training (Limited Assurance) • Members Expenses & Allowances (N/A) • Parking Legislation Review (Limited Assurance) <p><u>2020/21</u></p> <ul style="list-style-type: none"> • Recruitment Governance & Vetting (reasonable assurance) • Talent Link System (reasonable assurance) • Overtime Payments (Limited Assurance) • Parking Permits (reasonable assurance) • PCNs (reasonable assurance) • New Parking System (Limited Assurance) <p><u>2019/20</u></p> <ul style="list-style-type: none"> • HR on and off boarding (reasonable assurance) • Payroll (reasonable assurance) • Emergency Planning and Business Continuity (reasonable assurance) • Right To Buy Sales & Leasing (Limited Assurance) <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> • External audit • Disability Confident Employer accreditation • Investors in People – Gold • Health and Safety Executive. 	
Strategy	
<p>Previous relevant Internal Audit work:</p> <p><u>2021/22</u></p> <ul style="list-style-type: none"> • Well Run Organisation (reasonable assurance) 	<ul style="list-style-type: none"> • Parent Company Governance • Corporate Policy Review • Contract Management • Leisure Services Contract • Corporate Governance Review

<p>2019/20</p> <ul style="list-style-type: none"> • Key Performance Indicator Monitoring and Reporting (Limited Assurance) • Freedom of Information Requests (Limited Assurance) • Data Transparency (reasonable assurance) • Elevate Contract Exit (reasonable assurance) • Management of Heritage Assets (reasonable assurance) <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> • HSE inspections • SEQOHS accreditation. • Annual inspections under the Visitor Attraction Quality Service accreditation • Heritage Lottery Fund grant funding monitoring • National Accreditation Scheme for Museums and Galleries • Local Studies Centre's Archive Service Accreditation 	
Inclusive Growth	
<p>Previous relevant Internal Audit work:</p> <p><u>2023/24</u></p> <ul style="list-style-type: none"> • Accounts Payable (assurance TBC) • Planning & Building Control (assurance TBC) • Social Value (substantial assurance) <p><u>2022/23</u></p> <ul style="list-style-type: none"> • Accounts Payable (limited assurance) <p><u>2021/22</u></p> <ul style="list-style-type: none"> • Accounts Payable (reasonable assurance) • Procurement Cards (limited assurance) • BDMS Charging Mechanism (N/A) • Climate Change (N/A) 	<ul style="list-style-type: none"> • S106 & CIL Collection • Local Land Charges • Environmental, Social and Governance

<ul style="list-style-type: none"> • Customer Relationship System (reasonable assurance) <p><u>2020/21</u></p> <ul style="list-style-type: none"> • Risk in the Supply Chain (N/A) • Be First Governance (reasonable assurance) • NNDR (reasonable assurance) • Transfer of Properties from BeFirst to Reside (reasonable assurance) <p><u>2019/20</u></p> <ul style="list-style-type: none"> • Accounts Payable (reasonable assurance) • Procurement (reasonable assurance) • Procurement Cards (Limited Assurance) • Retrospective Purchase Orders (N/A) 	
My Place	
<p>Previous relevant Internal Audit work:</p> <p><u>2023/24</u></p> <ul style="list-style-type: none"> • BDMS Performance (N/A) • Commercial Rents (assurance TBC) • Land and Buildings Valuations (assurance TBC) • Health and Safety Compliance (reasonable assurance) • Asset Management (assurance TBC) <p><u>2022/23</u></p> <ul style="list-style-type: none"> • Frizlands Workshop: Heavy Vehicle & Drivers Safety Review (reasonable assurance) • Passenger Transport (reasonable assurance) • Waste Collections - Trade Waste (reasonable assurance) • Waste Management - Staff Health & Safety (reasonable assurance) • Housing Register & Allocation Review (reasonable assurance) • Be First - Reside - My Place Relationship b/f 21-22 (Limited Assurance) 	<ul style="list-style-type: none"> • Parking Income and Collection • Emergency Planning • RSL Health & Safety Compliance • Housing Repairs & Maintenance • Corporate Property Health & Safety Compliance • Bartec Trade Waste CRM System • Replacement of Enforcement system • Highways Maintenance Arrangements • Housing Rent Setting & Adjustment • Building Safety Act

- Leasehold Management - revenue and capital service charges (Limited Assurance)
- Right to Buy Valuations (Limited Assurance)
- Subletting Leaseholders - full follow-up (N/A)

2021/22

- Accuserv System (limited assurance)
- Compliance Health Check (N/A)
- Housing Repairs & Maintenance (No Assurance)
- Subletting Leaseholders (No Assurance)
- Housing Rents (reasonable assurance)

2020/21

- Tenant & Leaseholder Act Requirements (Sect 20) (Limited Assurance)
- LMS - post implementation review (Limited Assurance)
- Tenancy Data (Limited Assurance)
- Safety Compliance Review Work (N/A)

2019/20

- Voids (Limited Assurance)
- Housing System Implementation (N/A)
- Stewardship of Council Vehicles (Limited Assurance)
- Commercial Waste (reasonable assurance)
- Passenger Transport (Limited Assurance)

Other relevant assurance providers:

- Pennington Choices review of Landlord Compliance
- Social Housing Regulator opinion
- Institute of Cemetery and Crematorium Management – gold standard accreditation 2019
- ROSPA Independent Yearly Playground Inspections

Community Solutions	
<p>Previous relevant Internal Audit work:</p> <p><u>2023/24</u></p> <ul style="list-style-type: none"> • Accounts Receivable (reasonable assurance) • Cost of Living Crisis (reasonable assurance) • Community Hubs (assurance TBC) • Council Tax (reasonable assurance) • NNDR (assurance TBC) • Development of Civil Society (assurance WIP) <p><u>2022/23</u></p> <ul style="list-style-type: none"> • Accounts Receivable (limited assurance) • Homelessness (reasonable assurance) <p><u>2021/22</u></p> <ul style="list-style-type: none"> • Accounts Receivable (limited assurance) • Housing Benefits (substantial assurance) • Council Tax (reasonable assurance) <p><u>2020/21</u></p> <ul style="list-style-type: none"> • Rent Arrears (substantial assurance) • Welfare Reform (substantial assurance) • Early Help (No Assurance) <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> • 2018 London SCB Review of MASH 	<ul style="list-style-type: none"> • Becontree Collection Service • Temporary Accommodation
People and Resilience	
<p>Previous relevant Internal Audit work:</p> <p><u>2023/24</u></p> <ul style="list-style-type: none"> • SEND (assurance TBC) <p><u>2022/23</u></p> <ul style="list-style-type: none"> • Direct Payments (reasonable assurance) • Planning for School Places (substantial assurance) • Adult Care Deferred Payments (substantial assurance) 	<ul style="list-style-type: none"> • TBC

<ul style="list-style-type: none"> • Supporting Families Programme (substantial assurance) • Special Education Needs & Disability (substantial assurance) • Early Help KPI Monitoring & Reporting (substantial assurance) • LAC Savings Accounts (N/A) <p><u>2021/22</u></p> <ul style="list-style-type: none"> • Specialist Intervention Service (reasonable assurance) • Financial Assessments (reasonable assurance) • Social Care Charging Policy (reasonable assurance) • Public Health – internally commissioned services (Limited Assurance) • Care Leavers (reasonable assurance) <p><u>2020/21</u></p> <ul style="list-style-type: none"> • Youth Offending Team (reasonable assurance) • Disability Related Expenditure (reasonable assurance) • Adoptions Service (reasonable assurance) • Addition Resource Provision (reasonable assurance) • Special Guardianship Orders (Limited Assurance) • Education, Health and Care Plans (reasonable assurance) • Homelessness - Southwark Judgement (substantial assurance) <p><u>2019/20</u></p> <ul style="list-style-type: none"> • Liquidlogic System Implementation (limited assurance) • Social Care Forecasting (assurance TBC) • Public Health Grant (reasonable assurance) • School Audits <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> • Ofsted • Care Quality Commission 	
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4. Internal Audit Plan 2024/25

The audit plan details the draft audit title and draft audit objective or reason for inclusion in the plan.

Audit Title	Days	Focus of Scope
Resources		
SOX Compliance	15	Compliance with new UK corporate governance regime.
Mayor's Charity Account	5	Statutory review of spend
Strategic Procurement	20	Compliance with Procurement Regulations
General Ledger & Budgetary Control		Key Financial System – control effectiveness
Information Governance	15	Review of Framework
Payment Card Industry Data Security Standard - PCIDSS	15	Council compliance with standard
Inclusive Growth		
S106 & CIL Collection	15	Income maximisation project
Local Land Charges	15	Income processing and maximisation
Environmental, Social and Governance	15	Review reporting metrics for relevancy, accuracy, timeliness, and consistency.
Workforce Change		
Overtime and Expenses	15	Compliance with procedures
Use of Agency Staff	15	Governance and compliance review
Equal Pay Review	15	Controls around methodology for publication of data
Community Solutions		
Becontree Collection Service	15	Key Financial System – control effectiveness
Temporary Accommodation	15	Actions taken to reduce costs to the Council
My Place		
Parking Income and Collection	15	Key Financial System – control effectiveness
Emergency Planning	15	Preparedness in light of changing shape of Council
RSL Health & Safety Compliance	20	Review of two of the big 6 H&S Issues
Housing Repairs & Maintenance	15	No Assurance in previous year
Corporate Property Health & Safety Compliance	15	Compliance with H&S regulations

Bartec Trade Waste CRM System	15	New system control design
Replacement of Enforcement system	15	Control design advice in project team
Highways Maintenance Arrangements	15	Service levels, inspection and maintenance
Housing Rent Setting & Adjustment	15	Regulation setting of HRA rents
Building Safety Act	15	Risk review of preparations for compliance
Schools		
School Audits	50	School probity reviews of whole business areas
School Follow-ups	5	Review of last year's agreed actions
Strategy		
Parent Company Governance	30	Review of all governance activities
Corporate Policy Review	20	Review of procedures to ensure that policies remain compliant, relevant and fit for purpose
Contract Management	20	Compliance review of a selection of contracts
Leisure Services Contract	15	Contract letting, management and monitoring
Corporate Governance Review	25	Full review of decision-making activity
Prior year completion	20	Completion of the 2023/24 audit programme post 31 March 2024.
Prior year annual opinion	5	Drafting of the 2023/24 annual audit opinion.
Annual quality assessment	5	Annual review of Internal Audit against the PSIAS.
Internal audit methodology review	10	Review and update of the Internal Audit methodology, including review of the Internal Audit Manual
Grant claims	10	Drafting the Annual Governance Statement
Proactive assurance support and advice	50	Review and sign-off of grant claims where Internal Audit scrutiny is required / requested.
Corporate Governance	15	Attendance at relevant meetings to provide proactive assurance and advice including Assurance Board and Programme Boards.
Management requests	10	Responding to ad hoc management requests for audit support and advice.
Follow ups	30	Tracking management implementation of agreed action plans for critical and high rated findings; review and validation of evidence provided of implementation.
Audit planning	20	Periodic review and updating of the annual audit plan throughout the year and production of the Internal Audit plan 2025/26.
Committee reporting	5	Quarterly reporting to Assurance Board and Audit & Standards Committee.

External audit engagement and support	15	Engagement with external audit to work collaboratively and delivery of any control assignments identified
Stakeholder engagement	20	Engagement with key stakeholders to understanding of risks, activities and the performance of Internal Audit.
Management time	20	Management time of the audit team and the external provision.
Contingency	120	Contingency for ad hoc activity.
TOTAL DAYS	865	

5. Resource requirement and financial implications

The 2024/25 Internal Audit plan is estimated to consist of 865 days, the same as that agreed for 2023/24. Within the 865 days, contingency of 120 days has been included to allow for unplanned Internal Audit work.

The budget for the full plan has been approved by the Strategic Director, Resources.

6. Internal Audit opinion

The annual Internal Audit opinion will be based on and limited to the Internal Audits completed over the year and the control objectives agreed for each individual Internal Audit as set out in each Terms of Reference.

In developing the Internal Audit risk assessment and plan, the requirement to produce an annual Internal Audit opinion has been considered by determining the level of Internal Audit coverage over the audit universe and key risks.

7. Changes to the plan

The plan is a live document and therefore audits will be added and removed to the plan where there are significant changes, including changes to activities, risks and assurances. Quarterly updates to Assurance Board and the Audit and Standards Committee throughout the year will include details of changes to the plan.

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