Notice of Meeting

PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Wednesday, 13 March 2013 – 6.00 pm
Committee Rooms 1 & 2, Civic Centre, Dagenham

Members: Councillor A S Jamu (Lead Member); Councillor T Saeed (Deputy Lead Member); Councillor S Alasia, Councillor J Channer, Councillor G Letchford and Councillor M Mullane

Independent Advisor: Dr Ian Fifield

Date of publication: 5 March 2013

Graham Farrant
Chief Executive

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AGENDA

1. Apologies for Absence

2. Declaration of Members' Interests

   In accordance with the Council’s Constitution, Members are asked to declare any interest they may have in any matter which is to be considered at this meeting.

3. Minutes - To confirm as correct the minutes of the meeting held on 30 January 2013 (Pages 1 - 9)

SCRUTINITY

4. Debt Management Performance and Write-Offs 2012/13 (Quarter 2) (Pages 11 - 29)

5. Information Governance Update (Pages 31 - 38)

ELEVATE EAST LONDON SCRUTINITY REVIEW

6. Elevate East London Terms of Reference (Pages 39 - 41)

EXTERNAL AUDIT

7. Audit Arrangements for 2012/13 (Pages 43 - 46)
8. External Audit Plan 2012/13 (Pages 47 - 71)

INTERNAL AUDIT

9. Internal Audit Terms of Reference, Strategy, and Audit Plan 2013/14 (Pages 73 - 91)

BUSINESS ITEMS

10. Draft Work Programme and Date of Next Meeting (Pages 93 - 95)

ANY OTHER BUSINESS AND PRIVATE BUSINESS

11. Any other public items which the Chair decides are urgent

12. 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 Public Accounts and Audit Select 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.

13. Any other confidential or exempt items which the Chair decides are urgent
PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE

Wednesday, 30 January 2013
(6.02 - 8.48 pm)

Present: Councillor A S Jamu (Chair), Councillor T Saeed (Deputy Chair), Councillor S Alasia, Councillor J Channer and Councillor G Letchford; Dr Ian Fifield

Also Present: Councillor E Carpenter, Councillor J Ogungbose and Councillor R Gill

Apologies: Councillor M Mullane;

51. Declaration of Members’ Interests

None.

52. Minutes - To confirm as correct the minutes of the meeting held on 7 November 2012

The minutes of the meeting held on 7 November 2013 were AGREED as an accurate record.

53. KPMG - Certification of Grants and Claims

The External Auditor (EA) introduced the report.

The report summarised the results of work on the certification of the Council’s 2011/12 grant claims and returns. For 2011/12 three grants with a total value of £183,000,000, and two returns with a total value of £68,000,000 have been certified for the London Borough of Barking and Dagenham (LBBD, “the Council”).

It was noted that some of the work was undertaken by the Audit Commission before responsibility for External Audit activity transferred to KPMG on 1 November 2013. Furthermore, the Public Accounts and Audit Select Committee (PAASC, “the Committee) learnt that:

- Unqualified certificates were issued for four grants but a qualification was necessary for one claim, which is not uncommon.
- No adjustments were necessary to 3 of the Council’s grants and returns as a result of the certification work this year.
- The Council has adequate arrangements for preparing its grants and returns and supporting KPMG’s certification work.
- The overall fee for the certification of grants and returns is higher than the original estimate. The initial estimate was £105,000, the actual fee is £119,848.

The Committee noted the report.
The Group Manager (Internal Audit and Corporate Anti-Fraud) introduced the report.

The report covered all aspects of assurance and anti-fraud work undertaken in Quarters 2 and 3 2012/13, including actions taken by management in response to audit activity, which supports the governance framework of the Council. The report also set out the outcome from the annual review of effectiveness of Internal Audit.

The Committee asked the Group Manager for an update on the cash handling audit that was undertaken due to fraudulent activity. It was noted that the area is annually audited, and this year’s audit is underway. New processes have been put in place which has mitigated the risk to a great extent. For example, duties have been separated out to ensure more independent reconciliation takes place. Internal Audit have thorough follow-up processes after an Audit takes places. These have been followed for this case.

Regarding the Audit Commission’s ‘Protecting the Public Purse’ report (mentioned in paragraph 2.2 of the report) the Committee enquired if local figures were available to compare against the national ones. It was outlined that the Council’s own figures were used by the Audit Commission so they could calculate the national figures they use in the report. Furthermore, some figures are actual amounts while others are calculations. It was AGREED that Councillor Saeed would meet with the Group Manager to look further into the local figures and report back to the Committee at a later stage.

Regarding Blue Badge Fraud, the Committee was informed that, although robust anti-fraud measures are in place, notably the vetting of applications and renewals and the matching of nationwide registered deaths to Badges in circulation as part of the biennial National Fraud Initiative data matching exercise, it is still difficult to give assurance that measures are adequate to identify and deal with repeat offenders. There are a number of reasons for this, notably:

1. Technology issues meaning Civil Enforcement Officers (CEOs) do not have access to the London-wide database of lost, stolen, and unreturned badges.
2. A lack of a formalised policy of dealing with instances of Blue Badge misuse reported to mobility services.
3. Inadequate record keeping of Blue Badge offences dealt with by CEOs and cases of Blue Badge misuse reported and dealt with by Mobility Services.

It was further noted that only police officers can confiscate Blue Badges and they can only be revoked once a “pattern” of misuse has been identified. This significantly impedes the Council’s ability to tackle misuse. However, the Committee was pleased to note that new legislation will be forthcoming on this issue.

Councillor Carpenter, a guest at the meeting, enquired about the Benefit Fraud Team restructure as outlined on page 31 of the agenda pack. It was noted that Elevate East London will now be running the team and the proposal is to reduce the number of investigation officers, not the number of preventative officers. The Customer Services Director, Elevate East London noted that the number of benefits assessors needs to increase as there has been a 30% rise in the number of claims.
Further to this, once Universal Credit (UC) is fully implemented, it will be the Department for Work and Pensions (DWP) to stipulate the number of local officers, not the Council or its partners. This is because DWP will directly administer UC and will tackle fraud though its Significant Fraud Investigation Unit. The new processes linked to UC should reduce the level of fraud also. The Council will need to retain an anti-fraud team as Council Tax Benefit will remain in the Council’s control.

The Committee asked KPMG on whether they felt the Council’s Internal Audit function was operating. KPMG confirmed that, since 1 November 2012, they have not had any concerns they need to highlight to the Committee. As a part of their work plan in 2012/13 an assessment of the robustness of Internal Audit will be undertaken and any issues will be brought to the Committee’s attention.

The Committee asked the Group Manager to reconsider the reporting method in relation to the percentage of the Audit Plan completed. It was noted that the figure would only be available once the 31 March 2013 date had passed. However, the Group Manager AGREED to assess whether an alternative reporting method (based on interim targets) could be used instead.

The Committee noted the report.

55. Review of Key Anti-Fraud Policies & Strategies

The Group Manager (Internal Audit and Corporate Anti-Fraud) introduced the report.

The Group Manager outlined that, in order to ensure proper arrangements to administer the Council’s financial affairs, the Council has adopted key policies to combat fraud and irregularity. To further strengthen their importance as part of robust governance, these policies were approved by Cabinet in January 2012 with a recommendation that they be reviewed annually and taken back to Cabinet if any significant changes occur. In light of the only minor revisions to the Policies after review, the Policies were presented to PAASC to note and comment upon.

Most notably, the Regulation of Investigatory Powers Policy (RIPA) has been updated to reflect the new requirements of the Protection of Freedoms Act 2012.

The Committee asked the Group Manager to detail how the policies are communicated to the Council’s staff. The Committee learned that:

- Awareness notices are disseminated in a variety of ways
- Training (including by external providers)
- Specific staff are spoken too and trained individually.
- Poster campaigns and e-mail bulletins.

The Committee noted the report.

56. Risk Management Quarter Two 2012/13 Review Report

The Deputy Section 151 Officer introduced the report.

The report provided a summary of the position of the Corporate Risks for Quarter 2 2012/13. Strategic leadership of corporate risk management sets the tone for the
whole risk management framework. This supports the expectation that effective management of risk becomes “part of the day job” underpinning day-to-day decision making, service delivery, and ultimately delivery of outcomes and benefits for the community.

The Deputy Section 151 Officer outlined that the Corporate Risk Register (CRR) is regularly reviewed by the Corporate Management Team (CMT).

Regarding CRR06 (Compliance and Assurance) the Group Manager (Internal Audit and Corporate Anti-Fraud) informed PAASC that officers are reviewing what is meant by “compliance and assurance” in this context. It is broadly felt that the Council is a very compliant authority at the strategic level but, operationally, there is room for improvement. Furthermore, once PAASC has completed its review of Elevate East London officers hope PAASC will have the capacity to return to its review of Compliance which will greatly assist officers.

Regarding CRR10 (Information Assurance) there are regular meetings which keep a keen oversight of the risk.

Regarding CRR05 (Contracts) and CRR06 (Compliance and Assurance) PAASC was concerned that there has been little movement with the risk ratings. The Committee was informed that a lot of work was being undertaken – especially by colleagues in Elevate East London – but the Council is operating in an ever changing environment with new challenges which impact on ratings. Officers acknowledged that the Council needs to improve its client monitoring function.

CRR34 (Criminal Record Bureau checks) and CRR35 (Shared Service) are both new risks, the rationale for their inclusion was shown on page 120 of the agenda pack.

PAASC affirmed that the Corporate Risks – and the effective management of them – should form a key part of the CMT team member’s performance reviews with the Chief Executive in an effort to improve accountability. Officers were reminded that target dates should not slip.

The Committee noted the report.

57. **Budget Process 2013/14**

The Cabinet Member for Finance introduced the report.

The report set out:
- The Medium Term Financial Strategy (MTFS) at a two-year summary level;
- The impact of the Local Government Finance Settlement;
- The proposed level of Council Tax for 2013/14

The purpose of the report was to enable PAASC to scrutinise the overall budget in advance of final approval by the Assembly on 25 February 2013.

The Cabinet Member for Finance noted that the Council still faces a £7,707,000 budget gap in the 2014/14 financial year. Three major changes to the MTFS – which sets out the national financial context within which the Council operates, the financial objectives which the Council wishes to achieve, and the mechanisms with which it plans to achieve these objectives – were laid out on page 128 of the
agenda pack. The impact of the finance settlement on the MTFS was included on pages 128/9. Asking if there would be any mitigation to the £7.7m gap, it was noted that, in April, the Council will take direct control of Business rates. However as the borough does not have a big business base there will be no immediate financial benefit resulting from this. However, it is hoped that, over time, the local economy will get stronger and new local jobs will be created. Currently 35% of residents do not pay Council Tax and 10% have a single person discount. Increasing the number of jobs will increase the amount of money the Council has available to spend. The new ASDA Superstore and Premier Inn are both positive steps. The Council needs to work hard to grow the borough’s manufacturing base and increase private investment.

The Cabinet Member for Finance was proud to announce that Barking and Dagenham would be freezing Council Tax for the fifth year.

The Council has a £179,000,000 Capital Programme in place for 2013/14. Due to the current economic climate borrowing to fund capital expenditure has been kept to a minimum with the Council seeking to generate alternative sources of funding through grants and capital receipts. For example the new Axe Street Leisure Centre was initially to be funded through borrowing but it will now be entirely funded from alternative sources (e.g. Capital receipts). If the Council has assets which are of no use they should be disposed so the capital receipts generated can be used to benefit the borough. Ensuring new school places are provided forms a significant proportion of the Capital Programme. It was AGREED that Councillor Channer would pursue the idea of the Living and Working Select Committee (LWSC) undertaking a scrutiny review of the Capital Programme to investigate whether it is successful in generating job and stimulating growth.

There is no impact to the Council’s finances resulting from the Mayor of London’s £3.72 reduction in the Greater London Authority (GLA) precept for 2013/14 to £303.00 (for Band D).

Discussing the wider budget process the Cabinet Member was confident that an open and robust process was used. There were extensive internal discussions between officers and councillors, five open select committee meetings where the views of the public and other organisations were sought and listened to, two Leader’s Question Time events for the public to engage with, and extensive online and printed consultation. The Cabinet Member was pleased at the strong contribution from the Council’s backbenchers, other organisations, and the public. As a result of the feedback several changes were made to proposals. However, difficult choices needed to be made and the Council will have to reduce its activity in line with its reduced funding. It is hoped that he budget process for 2014/15 will be completed by the Summer of 2013.

The Committee sought reassurance that the agreed savings would be monitored by Cabinet. The Cabinet Member outlined that a monitoring report is presented to every Cabinet and that PAASC members would be welcome to attend and contribute to the discussion.

It was AGREED that finance officers would produce a short report outlining the Council’s main funding streams (e.g. formula grant and Council tax) going back to 2008 when funding changes were introduced.
The Committee noted the report.

58. **Performance House - Quarter 2 2012/13**

The Group Manager Policy and Performance introduced the report.

The report set out performance information in areas of real interest to Members and where performance has improved or dipped. It provided a summary of performance at Quarter Two (July to September 2012). It also detailed the 19 key priority indicators, the Performance House, and complaints and member enquiries data.

A wide range of performance is monitored and managed across the Council and is reported in a number of ways including in Portfolio Holder meetings and to Partnership boards. The Performance House provides a collective overview of performance across the Council/borough in order to inform decision making and use of resources, and to provide Members with a clear snap-shot of how priorities are being managed and implemented.

Officers were pleased to note that all children had now been allocated a school place.

It was **AGREED** that more information on KPI 16C (Percentage of reported domestic violence incidents) would be included in the next report.

The Independent Adviser asked officers to assess whether officers could set a local target that was more realistic rather than just the national standards for processing planning applications. Linked to this, PAASC would like an assessment of whether performance is actually due to there not being enough staff (as discussed on page 148 of the agenda pack). The Group Manager **AGREED** to feed this back to the department and coordinate a response.

The Committee noted the report.


It was **AGREED** that this item would be deferred until the next meeting of PAASC.

60. **Benefits Service Review - Update on Implementation of Recommendations**

The Customer Services Director, Elevate East London introduced the report.

The report is presented to PAASC in response to the recommendations it made in the Scrutiny Annual Report presented to the Assembly on 16 May 2012 regarding the Council’s Benefits Service which is administered by Elevate East London.

The Committee was satisfied with progress made by Elevate East London in relation to the benefits service.

It was noted that the transfer of back-office staff to the front line has been hugely successful, the “hotline” is now rarely used, letters have been overhauled, and there are no plans to close either of the one stop shops.
The Committee noted the report.

61. **Revenues and Benefits Service**

The Customer Services Director, Elevate East London introduced the report.

At its meeting on 25 July 2012 the debt management performance of Elevate East London, within the Revenues and Benefits Service, was reported to PAASC for the financial year 2011/12. From this report a number of questions and comments arose. The service was asked to bring a report back to PAASC addressing these. This report facilitated that request.

It was noted that Elevate East London can make savings through economies of scale. In practice this will mean a reduction of managerial posts over time. However, Elevate is committed to creating jobs and stimulating growth in the borough.

PAASC was very satisfied with the quality of the report and asked all officers involved in its drafting to be congratulated.

The Committee noted the report.

62. **Corporate Plan 2013/14 and Community Strategy 2013 - 2016**

The Group Manager Policy and Performance introduced the report.

The report set out the vision and priorities for Barking and Dagenham in the Corporate Plan and Community Strategy. It explained how they have been developed by drawing together the priorities of the Council, as the community leader for the borough, and its partners.

The vision for the borough outlined in the Corporate Plan and Community Strategy is: “Encourage growth and unlock the potential of Barking and Dagenham and its residents.”

The four priorities are:
1. Ensure every child is valued so that they can succeed.
2. Reduce crime and the fear of crime
3. Improve health and wellbeing though all stages of life
4. Maximise growth opportunities and increase the income of borough residents

It was noted that the documents will be presented to Cabinet on in March and Assembly shortly thereafter.

New housing will appear in the next incarnation of the strategy.

The Committee was satisfied with the Corporate Plan and Community Strategy.

The Committee noted the report.
63. **Information Governance Update**

It was **AGREED** that this item would be deferred until the next meeting of PAASC.

64. **Verbal Update From the Scrutiny Officer**

The Scrutiny Officer introduced the item.

The Scrutiny Officer informed the Committee that the initial stages of the review were progressing well. Several meetings have taken place, including:

- A meeting between the Scrutiny Officer and the Group Manager Internal Audit to discuss their audit of Elevate dated April 2012.
- A meeting between the Scrutiny Officer and the Divisional Director Finance on 27 November 2012 to discuss the decision making process which led to the Elevate East London joint venture.
- A meeting between the Scrutiny Officer and the Head of the Council’s Client Team on 10 December 2012 to discuss the Council’s contract monitoring capabilities and reporting issues from September 2012.
- A meeting between the Scrutiny Officer and the PAASC Independent Adviser to PAASC on 10 December 2012 to discuss the potential for external and independent scrutiny options relating to the review.
- A meeting between the Scrutiny Officer and Legal Group Manager (Partnerships & Strategic Procurement) on 10 December 2012 discussing the Client Unit and the overall contract including Gainshare.
- A meeting between the Scrutiny Officer, PAASC Lead Members, and Chief Executive Elevate East London. This was a broad and productive meeting to discuss the Elevate Summit and the concerns raised from the initial stages of the review.

It was noted that the Elevate Summit – when the bulk of the review’s evidence gathering will take place - has been rescheduled to take place on 26 March 2013. It was **AGREED** that all councillors would be invited to attend.

It was noted that PAASC has a site visit – to Barking One Stop Shop – scheduled for 31 January 2013. Councillors Jamu, Saeed, and Alasia are due to attend.

The Committee was satisfied with progress to date.

65. **Draft Work Programme & Date of Next Meeting**

The Scrutiny Officer introduced the item.

The Independent Adviser requested that a report on the Oracle R12 project be added to the Work Programme due to its wide implications and potential impact. The Committee **AGREED** to this request and directed that it be added to the Work Programme.

The Committee noted the report.

66. **Private Business**

The Lead Member read the following statement:
“The public and press have a legal right to attend Council meetings such as the Public Accounts and Audit Select 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 is one such items at the time of preparing this agenda.”

The Committee AGREED to exclude the public and press for the remainder of the meeting by reason of the nature of the business to be discussed which included information exempt from publication by virtue of paragraph 1 and 7 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

67. Composite Audit Report - Appendix 8

The Group Manager Internal Audit introduced the item.

The report outlined key outcomes from Corporate Anti-Fraud Team Closed Cases.

The Committee noted the report.

The meeting closed at 20.46.
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Title: Debt Management Six Monthly update: Debt Management Performance and Write-Offs 2012/13 (Quarter 2)

Report of the Cabinet Member for Finance

<table>
<thead>
<tr>
<th>Open Report</th>
<th>For Information</th>
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<tbody>
<tr>
<td>Wards Affected: None</td>
<td>Key Decision: No</td>
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</tbody>
</table>

Report Author: Jonathan Bunt, Divisional Director Finance

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Accountable Divisional Director: Jonathan Bunt, Divisional Director Finance

Accountable Director: Graham Farrant, Chief Executive

Summary

The report attached was considered by Cabinet on 19 December and is now presented to PAASC for its consideration.

Recommendation(s)

PAASC is asked to:

(i) note the contents of this report as it relates to the performance of the debt management function carried out by the Revenues and Benefits service operated by Elevate East London, including the performance of bailiffs; and

(ii) note the debt write-offs for the second quarter of 2012/13 and that a number of these debts will be publicised in accordance with the policy agreed by Cabinet.

Reason

Assisting in the Council’s Policy House aim of ensuring a well run organisation delivering its statutory duties in the most practical and cost-effective way. It will ensure good financial practice and adherence to the Council’s Financial Rules to report on debt management performance and total debt write-off each quarter.
Title: Debt Management Performance and Write-Offs 2012/13 (Quarter 2)

Report of the Cabinet Member for Finance

Open Report For Information

Wards Affected: None Key Decision: No

Report Author: Jonathan Bunt, Divisional Director Finance

Contact Details:
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E-mail: Jonathan.Bunt@lbbd.gov.uk

Accountable Divisional Director: Jonathan Bunt, Divisional Director Finance

Accountable Director: Graham Farrant, Chief Executive

Summary

This report sets out the performance of the Council’s joint venture company, Elevate East London, in carrying out the debt management function on behalf of the Council and covers the second quarter of the year 2012/13. It also includes details of debt written off in accordance with the write off policy approved by Cabinet on 18 October 2011.

Recommendation(s)

Cabinet is asked to:

(iii) note the contents of this report as it relates to the performance of the debt management function carried out by the Revenues and Benefits service operated by Elevate East London, including the performance of bailiffs; and

(iv) note the debt write-offs for the second quarter of 2012/13 and that a number of these debts will be publicised in accordance with the policy agreed by Cabinet.

Reason

Assisting in the Council’s Policy House aim of ensuring a well run organisation delivering its statutory duties in the most practical and cost-effective way. It will ensure good financial practice and adherence to the Council’s Financial Rules to report on debt management performance and total debt write-off each quarter.

1. Introduction and Background

1.1 The Council’s Revenues, Benefits, General Income and Rents Service is operated by the Council’s joint venture company Elevate East London LLP (Elevate). The service is responsible for the management of the Council’s debt falling due by way of statutory levies and chargeable services.
1.2 This report sets out the performance for the second quarter of 2012/13 and covers the overall progress of each element of the service for the year so far. In addition it summarises the debts that have been agreed for write off in accordance with the Council’s Financial Rules. Write offs in the second quarter have been actioned in accordance with the Council’s debt management policy agreed on 18 October 2011.

2. Proposal and Issues

2.1 Set out below is the performance for quarter 2 of 2012/13 and highlights of the improvements made by Elevate for each of the functions of the Revenues Service during the year.

Table 1: Collection Rate Performance - 2012/13 Quarter 2

<table>
<thead>
<tr>
<th>Type of Debt</th>
<th>Target 2012/13</th>
<th>Profiled target for Quarter 2</th>
<th>Quarter 2 Performance</th>
<th>Difference</th>
<th>Amount Collected Qtr 2 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council Tax</td>
<td>94.5%</td>
<td>55.2%</td>
<td>55.5%</td>
<td>+0.3</td>
<td>£28.8</td>
</tr>
<tr>
<td>NNDR</td>
<td>97.1%</td>
<td>56.6%</td>
<td>55.5%</td>
<td>-1.1%</td>
<td>£31.8</td>
</tr>
<tr>
<td>Rents</td>
<td>96.80%</td>
<td>96.80%</td>
<td>96.56%</td>
<td>-0.24%</td>
<td>£48.1</td>
</tr>
<tr>
<td>Leaseholder</td>
<td>86.26%</td>
<td>42.27%</td>
<td>44.09%</td>
<td>+1.82%</td>
<td>£1.6</td>
</tr>
<tr>
<td>General Income</td>
<td>99.62%</td>
<td>62.96%</td>
<td>64.88%</td>
<td>+1.92%</td>
<td>£6.6</td>
</tr>
</tbody>
</table>

Council Tax performance and service improvements

2.2 Council Tax collection at the end of the second quarter finished 0.3% above the target. The percentage collection was 55.5%, equating to £28.8m of the £52.4m Council Tax due for the full year. This continues the trend of improvement from 2011/12 when Council Tax collection improved by 1.2% compared to an average increase of 0.4% amongst LBBD’s family of councils[1]. It was also the highest collection rate achieved in the last ten years despite the challenging economic climate. In the second quarter of 2012/13, collection remains above the new higher target.

2.3 The main improvements implemented so far this year are:

- Continuing to improve the number or Council Tax payers paying by direct debit with an increase of 4.7% at the end of quarter 2.

- The new payment arrangement policy introduced last year has seen an increase in arrears collection for quarter 2 by £120k:

Quality checking of the Council Tax team was undertaken in quarter 2 and workshops with staff undertaken.

Attachments of earnings have increased since the beginning of the year with 1,130 attachments of earnings now in place compared to 897 at the end of quarter 4 2011/12.

Quality checking of the call centre has taken place after a training needs analysis (TNA) was completed in quarter 1. Mentoring sessions for call centre staff have commenced to ensure Council Tax callers have their enquiry dealt with effectively and in full at first point of contact.

A TNA was completed by the One Stop Shop staff in quarter 2 and plans are being set-up to deliver the above improvement to front line services.

**NNDR performance quarter 2 and service improvements**

2.4 NNDR collection at the end of the second quarter 55.5%, equating to £31.8m of the £57.3m debt due for the whole year. This is 1.1% below the target.

2.5 Although the collection rate is below the target for the year this has been affected by the government scheme allowing business rates payers the option to defer payment over 2012/13 and 2013/14 on an element of the charge related to the annual increase. This scheme was introduced during 2012/13 after collection targets for the year had been set. A total of £210,498 has been deferred this year resulting in a reduction of 0.36% to the collection rate. Allowing for this the collection rate is in line with the collection achieved last year, however, it is still below the target increase in collection required.

2.6 Work in quarter 3 will be focused on detailed analysis of accounts with arrears to ensure the correct recovery action is in place and that each recovery stage is moved through rapidly. Contact is made with businesses on a one to one basis to understand their financial situation and assist in payments arrangements being set up. Recovery activity has already increased this year reflecting the difficult economic climate businesses are facing.
2.7 The main improvements in NDDR are:

- All work now up to date
- Over 90% of calls answered.
- Quality checking of processed work was undertaken in quarter 2. Accuracy was good but staff workshops have been organised to improve accuracy further and ensure each piece of work is dealt with in full at first point of contact.
- Detailed analysis of accounts with arrears is underway to ensure the correct recovery action is in place.

Rents collection performance and service improvements

2.8 At the end of quarter 2 rent collection achieved was 96.56%, which is 0.24% below the target performance of 96.80%.

2.9 For 2012/13 the House Mark measure for rent collection has been adopted which is different from the former Rents performance indicator (PI), known as "BV 66a".

2.10 The new PI measures collection performance in respect of current year collection and includes arrears brought forward from the previous financial year. The definition is different in a number of aspects to that of BV66a, so this year's collection cannot be directly compared with 2011/12. At the end of September the collection for the financial year is £48.2m of the £99.7m which is projected as the collectable amount for the whole year.

2.11 Collection performance was slightly behind target at the end of September but during October the position improved with performance moving to 0.12% behind target at the end of the month.

2.12 An end to end process review to encompass all actions that affect rent collection commenced in April with a focus on ensuring income is maximised and unnecessary arrears are minimised. The processes that have been revised or are in progress so far are:

- sign up for new tenancies
- settling in visits
- tenancy closures
- eviction process

2.13 One of the key aims of the review is to ensure that intervention for vulnerable tenants, that need help in managing their finances, is commenced at an earlier stage. Thus, sign up and settling procedures are now designed to identify when additional support is needed and to put in place additional assistance. This carries through to the eviction stage where the aim is to evict lower numbers of vulnerable tenants that would require further assistance from the Council following eviction. In the initial stages of this revision work a fall off of one-off payments has been seen from those threatened with potentially losing their property. The full year effect of this is estimated at 0.17% of collection. This is being monitored closely to ensure
2.14 The main improvements in rents are:

- The Capita IT system has been stabilised with system reports on cases that need arrears action now working reliably. This means that tenants have received arrears letters on time and at an earlier stage this year. The rents team is now in a position to take action on debt at levels when there is still a realistic prospect of tenants making arrangements to clear the debt in the current financial year.

- Seeking to persuade tenants to make arrears clearance their priority to avoid Court action. A dedicated Rents / Benefits liaison officer ensures that tenants receive all housing benefit they are entitled to and rent officers direct them to money advice services where possible.

- The introduction of on line applications for court possession hearings reducing court costs and saving officer time.

- The Council has launched a quarterly prize draw to promote DD that offers one prize of £250 and two of £100. To qualify tenants must have been paying by DD for the previous 2 months and must not be in arrears. Two prizes have been awarded by Councillor Waker with publicity used to incentivise further sign up of direct debits in the second half of the year.

- The team continue to look at options to ensure smarter working and, in particular, ensuring offering a joined up service with Housing Management. The review of the end to end process has resulted in the implementation of new procedures with Housing management for sign up to tenancies and settling in visits to ensure that the prevention of rent arrears. Work is also nearing completion to ensure that tenancy closure procedures mitigate the risk of rent arrears arising.

- To ensure HB take up is maximised at tenancy sign up, Dagenham Library have recently joined the Barking Learning Centre in dealing with Housing Benefit assessments when customers sign up for new tenancies. Furthermore, a housing benefit officer has been attached to the Rents Team from early July 2012 to ensure that we maximise benefit payable and to broaden the knowledge of the team generally on claim criteria. The officer concerned won the Council’s STAR awards for excellence in customer service.

- Online access to rent account balances and to order a Rent payment card became available from July 2012. SMS texting was introduced in quarter 3 of 2011/12 so that lower level arrears cases receive a text message in addition to a standard arrears letter and tenants can text to find out their rent account balance.

General Income

2.15 General Income is used to describe the ancillary sources of income available to the Council and which support the cost of local service provision. Examples of area from which the Council derives income include; charges for social care,
rechargeable works for housing, nursery fees, trade refuse, truancy penalty notices, hire of halls and football pitches. Oracle is used for the billing of these debts and collection performance across all these debts is reported together.

2.16 Collection is 1.92% above target at the end of September. All debts are monitored on a regular basis to ensure that appropriate action is being taken and that debt is pursued quickly.

2.17 The collection of Leasehold Service Charges and Penalty Charge Notices are monitored through separate computer systems and the performance of these is reported separately.

General Income: Leaseholders performance and service improvements

2.18 For the charges for 2012/13 and for the arrears of previous years, collection at the end of September stood at a total of £1.6m from a debit of £3.7m, a collection rate of 44.09%. This is 1.82% above the target for the end of this quarter 2.

2.19 The main area of improvement in respect of leaseholder arrears is the additional resource that has been added to the Court Team. This has enabled more detailed and pro-active recovery in a quicker time scale. Reminder letters with greater detail to advise debtors have been manually produced and mediation work has been carried out.

Penalty Charge Notices

2.20 This recovery work only includes debts due to Penalty Charge Notices (PCNs) for parking, bus lane and box junction infringements once a warrant has been obtained from the Traffic Enforcement Centre (TEC). The majority of these relate to parking infringements and Elevate enforce these warrants through bailiffs and monitor their performance. Overall collection rates on PCNs will be reported by Environmental and Enforcement Services (Parking Services).

2.21 The number of warrants related to PCNs from December to the end of September sent to bailiffs is 18,647 totalling £3.5m. The target is to collect 18% on each batch and the actual collection performance on a batch of warrants can only be measured when a warrant expires after 12 months. The first batch will expire in December 2012.

2.22 Performance monitoring of bailiffs is in place to improve collection and warrants for collection are sent to the bailiff with the better performance. Currently JBW have been provided with the latest batches following poor performance by Newlyn’s and on current performance will achieve a collection rate above 18%.

Fairer Contribution Charging

2.23 The Council’s Fairer Contribution Policy commenced from October 2011.

2.24 These debts are reported separately to track the debt collection performance on the increased level of debt resulting from the new policy.

2.25 The agreed measure for performance reporting was the percentage collected on debt over 120 days old.

2.26 Detailed below is the performance as at the end of September 2012.
Residential care

<table>
<thead>
<tr>
<th>Invoices</th>
<th>Debit raised</th>
<th>Total collected</th>
<th>Collection rate</th>
<th>Target</th>
<th>Difference</th>
<th>Uncollected</th>
</tr>
</thead>
<tbody>
<tr>
<td>120+ days</td>
<td>£2,053,106</td>
<td>£1,717,857</td>
<td>83.67%</td>
<td>90%</td>
<td>6.33%</td>
<td>£335,249</td>
</tr>
</tbody>
</table>

Homecare

<table>
<thead>
<tr>
<th>Invoices</th>
<th>Debit raised</th>
<th>Total collected</th>
<th>Collection rate</th>
<th>Target</th>
<th>Difference</th>
<th>Uncollected</th>
</tr>
</thead>
<tbody>
<tr>
<td>120+ days</td>
<td>£432,510</td>
<td>£387,413</td>
<td>89.57%</td>
<td>90%</td>
<td>0.43%</td>
<td>£45,097</td>
</tr>
</tbody>
</table>

2.27 Direct Debits are now in place with the first payments taken in August and promotion of direct debits is underway to increase take up. End to end process reviews are underway to maximise collection from the start of the service provision. A case by case analysis of accounts in arrears is underway. Given the nature of the client group each case must be reviewed to ensure the next recovery action is appropriate in liaison with Adult services.

Housing Benefit Overpayments

2.28 For 2012/13 a target for collection of £2.6m has been set. At the end of September the target has been exceeded by £199k, with a total of £1.5m collected so far this year.

2.29 A review of working methods has been undertaken and a number of changes have been made aimed at improving collection. The changes include:

- Shortening the cycle of demand letters so customers receive more prompt reminders to pay
- Enhanced use of county court judgements with the follow up actions of charging orders, forced sales and warrants of execution being utilised
- The process and recovery events have been reviewed and streamlined

Bailiff Performance

2.30 Currently Elevate use three bailiff companies, Newlyn, Equita and JBW. Bailiffs are used to collect for the following debts:

- Council Tax
- National Non Domestic Rates
- Benefit Overpayments
- Sundry Debts
- Commercial Rents
- Benefit overpayments.
- Car Parking
2.31 For Council Tax bailiff firms Newlyn and Equita are used to enforce non payment and Newlyn are used for the non payment of NNDR. A bailiff cannot be instructed to carry out this work until the Council has obtained a liability order at court. The bailiff will visit the property with the intention of collecting the debt or removing goods to the value of the debt.

2.32 Day to day working arrangements are in place so that the Council Tax team have access to the bailiff’s computer system and update individual cases in real time. Changes include amendments to debts, the recall of cases where appropriate and the making and updating notes on the system. Bailiffs will not remove goods without direct authorisation from the Council Tax manager. Bailiffs have direct access to council tax staff to check information and where swift action is required the Council Tax team can contact the bailiff companies by phone. The same arrangements exist for Business Rates.

2.33 Throughout the course of the year regular meetings are held with the bailiff companies to discuss performance and resource. Bailiffs are challenged to improve their performance and as part of this they are provided with information on how the other bailiffs are performing. Where necessary, the amount of work going to a bailiff will be reduced where performance is deemed to be too low. Bailiffs only collect their fees when they successfully recover debt for the Council.

2.34 Bailiff companies have by request ensured that where new cases are sent they increase the number of bailiffs working in the area to ensure that there is a minimal delay between the cases referral and first contact.

2.35 Below a certain level sundry debt cases are deemed to have too low a balance to make court action economically viable. Such debts are referred to the bailiff for collection who seek to recover the debt using letters and phone calls to make contact in order to collect the debt. Where internal methods of collection have failed, benefit overpayments are referred to the bailiff for collection. They will write to and phone the debtor and where this proves unsuccessful they will visit the property with the intention of collecting the debt.

2.36 In most cases once a debt has been referred to the bailiff and the bailiff has been unable to collect the debt and where other available avenues are not possible the only route left is to write the debt off. Details of the write offs in quarter two of 2012/13 are in paragraphs 2.43 to 2.45 and in appendices A, B and C.

2.37 Bailiff action is a key tool for the Council to recover overdue debts but is only one area of collection work.

2.38 Detail of bailiff performance by type of debt for quarter 1 and 2 of 2012/13 is set out in the table below.

2.39 Road traffic debt shows all work issued to the bailiff since 7 December 2012. This is because, unlike most court orders such as a liability order for council tax, a warrant for a road traffic parking or moving traffic offence has a 12 month time limit applied to it after which it can no longer be enforced.
### Council Tax

<table>
<thead>
<tr>
<th>Quarter 1 &amp; 2</th>
<th>Value of cases less returns</th>
<th>Total remitted</th>
<th>Collection rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>April – June</td>
<td>969,563.53</td>
<td>29,842.93</td>
<td>3.07%</td>
</tr>
<tr>
<td>July – September</td>
<td>2,194,052.29</td>
<td>84,448.11</td>
<td>3.85%</td>
</tr>
</tbody>
</table>

### NNDR

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of cases less returns</th>
<th>Total remitted</th>
<th>Collection rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/13</td>
<td>£151,208</td>
<td>£43,084</td>
<td>28.49%</td>
</tr>
</tbody>
</table>

### General Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of cases</th>
<th>Total remitted</th>
<th>Collection Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/13</td>
<td>47,397.18</td>
<td>7,128.17</td>
<td>15%</td>
</tr>
</tbody>
</table>

### Commercial Rent

<table>
<thead>
<tr>
<th>Bailiff Work (commercial rent)</th>
<th>Number referred to bailiff April to September</th>
<th>Value Referred to bailiff April to September</th>
<th>Amount Collected by bailiffs April to September</th>
<th>% Collected by bailiffs April to September</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/13</td>
<td>10</td>
<td>23,243.15</td>
<td>7,607.68</td>
<td>32.73%(^1)</td>
</tr>
</tbody>
</table>

### Road Traffic Debt

<table>
<thead>
<tr>
<th>Warrants issued from</th>
<th>Number of batches</th>
<th>Value of cases less returns</th>
<th>Total remitted(^2)</th>
</tr>
</thead>
</table>

### Write off process

2.40 In some instances, despite all the measures that have been taken to collect the monies owed to the Council, it is the case that some debts will remain unpaid. In such cases, when all available economic avenues of collection have been exhausted, debts have to be considered for write off.

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\(^1\) Bailiff performance is higher for this line of debt as failure to pay will lead to a loss of tenancy by the business.

\(^2\) Performance is measured on a batch basis on the expiry of each batch when it is 12 months old. The first batch will expire in December 2012.
2.41 The write-off of debt allows the service to focus on debts that are more likely to be recovered. At the same time the Council makes provision within its accounts for debts that are likely to be written-off.

2.42 The write-offs presented in this report fall into two broad categories. Firstly, debts Elevate is unable to collect on the Council’s behalf because for example the customer is deceased and there is no estate, the customer has gone away and cannot be traced, or the age of the debt precludes recovery. Secondly, there are cases where it is uneconomic to collect.

Debt Write-off: Quarter 2 2012/13

2.43 The value of debts written off for the second quarter of 2012/13, i.e. July to September 2012 total: £765,984 (see Appendix A). In the first quarter £464,486 was written off (Appendix A).

2.44 Of the 504 debts written off the three main reasons were that for 21.78% the debtor had absconded and could not be traced, for 32.67% it was deemed uneconomical to pursue the debt and for 9.11% the debtor was insolvent.

2.45 In 2011/12 almost £2.4m was written off (Appendix B).

Publication of individual details of debts written off (Appendix C)

2.46 A number of local authorities publicise the details (names, addresses etc.), of residents who have had debts written off. In the majority of cases, these debts have been written off where the debtor has absconded.

2.47 The Council agreed in November 2007 (Minute 69, 6 November 2007) that a list showing the details of debtors, who have had debts written off, would be attached to this report. A list has been attached at Appendix C. The list has been limited to the top ten debts only.

2.48 As was previously outlined within the 6th November 2007 Cabinet report, it was recommended that the following types of debt write offs are excluded from this publicised list:

a) Debts that have been written off following a corporate complaint being upheld;
b) Debts that have been written off due to the debtor falling within one of the vulnerable groups (e.g. elderly, disabled, infirm etc.);
c) Where the original debt was raised in error;
d) Where debts have been written off, but no legal action has been taken to prove that the debt was legally and properly due;
e) Where the debt has been written off following bankruptcy or insolvency action (the majority of these cases will be individually publicised).

2.49 The exclusion of the category of debts listed above will eliminate the possibility of any unnecessary and potentially costly legal challenges from debtors, who take issue with their details being publicised. It is intended that where the details or whereabouts of debtors become known following publication, those debtors will be pursued as far as is possible, to secure full payment of the debt.

2.50 The list provided at Appendix C does not include debts or debtors that fall within categories a-e above, so the list as it stands can be publicised.
3. Options Appraisal

3.1 This is not relevant for an information report.

4. Consultation

4.1 This is not relevant for this information report.

5. Financial Implications

5.1 As part of the closure of the Council’s accounts each year, a review of outstanding debts is made and an estimate of bad and doubtful debts is provided for. All write offs in year are made against that provision. The level of bad debts proposed and agreed for write off is monitored quarterly against the provision made at year end.

5.2 Improvements in the pursuit and collection of debt enables the Council to make a lower provision and improves the level of balances and reserves though debts are only pursued to the point that it is economically sensible to do so.

6. Legal Implications

6.1 The pursuit of debts owed to the Council is a fiduciary duty. The Council seeks to recover money owed to it by the courts once all options are exhausted. Not all debt will be recovered and a pragmatic approach has to be taken with debts as being on occasions, uneconomical to recover in terms of the cost of process and the means of the debtor to pay. As observed in the body of this report, in the case of rent arrears, a possession and subsequent eviction orders are a discretionary remedy and the courts will on many occasions suspend the possession order on condition the tenant makes a contribution to their arrears. The Councils decision to utilise Introductory Tenancies will over time begin to have an impact as only those tenants with a satisfactory rent payment history can expect to be offered a secure tenancy.

6.2 The decision to write off debts has been delegated to Chief Officers who must have regard to the Financial Rules.

7. Other Implications

7.1 Risk Management - No specific implications save that of this report acting as an early warning system to any problems in the area of write off’s.

Background Papers Used in the Preparation of the Report:

- Continuous Service Improvement Plans (CSIPs) for Revenues Service areas.

List of appendices

- Appendix A – Debt Write Off Table for Quarter 2 2012/13 and totals for Quarter 1
- Appendix B – Debts written off in 2011/12
- Appendix C – Top Debts Written Off
### Table 1: Debts Written Off during Qtr 2 2012/13

<table>
<thead>
<tr>
<th>Write-offs</th>
<th>Housing Benefits</th>
<th>General Income Debts</th>
<th>Former Tenant Arrears</th>
<th>Rents</th>
<th>Council Tax</th>
<th>NNDR</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 2k</td>
<td>1,717.64</td>
<td>8,875.86</td>
<td>46,843.54</td>
<td>0.00</td>
<td>38,445.60</td>
<td>0</td>
<td>95,882.64</td>
</tr>
<tr>
<td>Over 2k</td>
<td>0</td>
<td>0</td>
<td>109,879.39</td>
<td>2,566.20</td>
<td>175,125.36</td>
<td>0</td>
<td>287,570.95</td>
</tr>
<tr>
<td>Over 10k</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>122,617.16</td>
<td>122,617.16</td>
</tr>
<tr>
<td>Total</td>
<td>1,717.64</td>
<td>8,875.86</td>
<td>156,722.93</td>
<td>2,566.20</td>
<td>213,570.96</td>
<td>122,617.16</td>
<td>506,070.75</td>
</tr>
<tr>
<td>Aug-12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 2k</td>
<td>14,948.52</td>
<td>2,766.75</td>
<td>0</td>
<td>0</td>
<td>25,579.43</td>
<td>0</td>
<td>43,294.70</td>
</tr>
<tr>
<td>Over 2k</td>
<td>10,651.32</td>
<td>4,204.52</td>
<td>0</td>
<td>0</td>
<td>121,481.76</td>
<td>0</td>
<td>136,337.60</td>
</tr>
<tr>
<td>Over 10k</td>
<td>0.00</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Total</td>
<td>25,599.84</td>
<td>6,971.27</td>
<td>0.00</td>
<td>0.00</td>
<td>147,061.19</td>
<td>0.00</td>
<td>179,632.30</td>
</tr>
<tr>
<td>Sep-12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 2k</td>
<td>7,302.24</td>
<td>1,747.54</td>
<td>47,598.05</td>
<td>511.62</td>
<td>0</td>
<td>0</td>
<td>57,159.45</td>
</tr>
<tr>
<td>Over 2k</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6,270.28</td>
<td>0</td>
<td>0</td>
<td>6,270.28</td>
</tr>
<tr>
<td>Over 10k</td>
<td>16,851.26</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
<td>0</td>
<td>16,851.26</td>
</tr>
<tr>
<td>Total</td>
<td>24,153.50</td>
<td>1,747.54</td>
<td>47,598.05</td>
<td>6,781.90</td>
<td>0</td>
<td>0.00</td>
<td>80,280.99</td>
</tr>
<tr>
<td>Quarter 2 Totals</td>
<td>51,470.98</td>
<td>17,594.67</td>
<td>204,320.98</td>
<td>9,348.10</td>
<td>360,632.15</td>
<td>122,617.16</td>
<td>766,984.04</td>
</tr>
</tbody>
</table>

### Table 2: Debts Written Off during Qtr 1 2012/13

<table>
<thead>
<tr>
<th>Write-offs</th>
<th>Housing Benefits</th>
<th>General Income Debts</th>
<th>Former Tenant Arrears</th>
<th>Rents</th>
<th>Council Tax</th>
<th>NNDR</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter 1 Totals</td>
<td>£3,117.51</td>
<td>£23,768.82</td>
<td>£42,103.05</td>
<td>£6,287.52</td>
<td>£351,620.88</td>
<td>£37,588.35</td>
<td>£464,486.13</td>
</tr>
</tbody>
</table>
This page is intentionally left blank
### Table 2: Debts written off during 2011/12

<table>
<thead>
<tr>
<th>Write Offs</th>
<th>Housing Benefits</th>
<th>General Income Debts</th>
<th>Former Tenant Arrears</th>
<th>Rents</th>
<th>PSL Homeless</th>
<th>Home Care</th>
<th>Residential Care</th>
<th>Council Tax</th>
<th>NNDR</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12 Totals</td>
<td>£260,487</td>
<td>£145,284</td>
<td>£987,383</td>
<td>£2,808</td>
<td>£N/A</td>
<td>£0</td>
<td>£0</td>
<td>£205,789</td>
<td>£772,683</td>
<td>£2,374,433</td>
</tr>
</tbody>
</table>

### Table 3: Debts written off during 2012/13 YTD

<table>
<thead>
<tr>
<th>Write Offs</th>
<th>Housing Benefits</th>
<th>General Income Debts</th>
<th>Former Tenant Arrears</th>
<th>Rents</th>
<th>Council Tax</th>
<th>NNDR</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13 YTD</td>
<td>£54,589</td>
<td>£41,363</td>
<td>£246,424</td>
<td>£15,636</td>
<td>£712,253</td>
<td>£160,206</td>
<td>£1,230,470</td>
</tr>
<tr>
<td>NAME</td>
<td>AMOUNT</td>
<td>DEPARTMENT</td>
<td>REASON</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------</td>
<td>----------</td>
<td>--------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>William Tuck</td>
<td>£4,834.52</td>
<td>COUNCIL TAX</td>
<td>Customer liable for council tax for period 18.10.99 to 07.03.10. Council tenant. Very poor payment history – only ever received a few lump sum payments and that was following recovery action. Recovery action taken included visits to property from Enforcement Officers, use of bailiffs &amp; statutory demand served (no assets, so would not be suitable for further bankruptcy proceedings). Case was referred to consider committal, but customer was then evicted 07.03.10. All relevant tracing checks carried out, but neither Council tax nor Rents could locate Mr Tuck. Rent arrears exceeding £4k also had to be written off.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lisa Tonner</td>
<td>£4,791.62</td>
<td>COUNCIL TAX</td>
<td>Customer was made liable as tenant of property for period 02.06.03 to 02.02.09. Customer was placed in LBBD by LB of Newham and it appears she should have been in receipt of CTB, but she failed to claim/provide info/evidence requested, despite several attempts by various Officers to advise and assist customer on this issue over the years. CTB was therefore never paid. Customer did not pay any money towards account voluntarily for the duration of her tenancy. Action was taken to recover the debt, including use of bailiffs, visits to property by Enforcement Team and then eventually AOB was implemented. The payments received from DSS are the only payments ever received on account, which were not enough to clear almost 6 years’ worth of bills. Customer left property leaving arrears. All relevant tracing checks were carried out without success, so debt had to be written off.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edson Vilhena</td>
<td>£4,546.94</td>
<td>COUNCIL TAX</td>
<td>Customer was legal tenant of property from 23.05.03 to 30.06.11. He was placed in LBBD by LB of Newham and claimed some CTB, but did not get full benefit. No CTB paid after 2007. Attempts made to recover the arrears included visits to the property from Enforcement Team, use of bailiffs and attachment of benefit. Only £105.30 was received in payments for the duration of tenancy. Visits to the property and info received from other Council Depts suggested customer was not resident in property, but may have been sub-letting it out, which made it difficult to contact the customer. Tenancy ended, leaving large arrears. All relevant tracing checks were carried out, including contacting LB of Newham Homeless Unit, but no</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Amount</td>
<td>Type</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>---------------</td>
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<td>-----------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edward Plova</td>
<td>£4,451.83</td>
<td>COUNCIL TAX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayaki Tetede</td>
<td>£3,330.26</td>
<td>COUNCIL TAX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issac Dike</td>
<td>£3,092.64</td>
<td>COUNCIL TAX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peter Edmond</td>
<td>£2,922.96</td>
<td>COUNCIL TAX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Customer was tenant of property from 01.09.08 to 10.01.12. A backdated account was opened on 20.02.10, following proof of tenancy received form landlord. No contact or payment was ever received from the customer. Bailiffs were unable to recover the debt and returned the case ‘nulla bona’ (nothing of value). All relevant tracing checks were carried out after the customer vacated the property, but a forwarding address could not be located, so the account had to be written off.

Customer was legal tenant for period 27.11.06 to 11.09.11. Initially, he was awarded a student exemption for period 27.11.06 to 12.06.09, but it was then found, through a housing application received and electoral records, that other adults were occupying the property, so the exemption was later withdrawn. It was also discovered that Mr Tetede was not resident and sub-letting the property to others and his Council tenancy was accordingly terminated. No payment towards council tax was received for the duration of the tenancy and customer also left rent arrears exceeding £8k. All relevant tracing checks were carried out without success, so the debt had to be written off. The rent arrears have also been passed for write off.

Customer is owner of property and liable for period 01.04.99 to 14.09.09. Several attempts were made to contact the customer and recover the debt during this period, but Council were advised that he resides mainly abroad for work and that property is rented to a tenant (friend of landlord). A lot of work was done to get to the bottom of who should be liable for council tax – tenant or owner. Tenant was made liable from 14.09.09, but it was believed that he should have probably been liable from before this time. However, as tenant was on JSA and Council were unable to contact owner, Mark Wilson (Council Tax Manager at the time) authorised write off for the landlord’s account, as it was considered uneconomical to pursue the debt further. However, this property is currently being investigated again, as it is possibly an HMO and landlord would be liable if this is the case. Should owner be deemed liable for council tax again, the write off will be reversed and recovery will recommence.

Customer was tenant liable from 12.09.08 to 06.03.11. Account was opened on 20.03.09 and backdated to start of tenancy, following confirmation from bailiff attending property (in respect of previous tenant) that customer was new tenant and had shown his tenancy agreement as
proof. No contact or payment was ever received from Mr Edmund for the duration of his tenancy. After he vacated the property, all relevant tracing checks were carried out without success. The only possible address found was in Scotland, but as Council could not confirm this was the same Mr Edmond, and as Scotland is out of court’s jurisdiction, no further action could be taken to recover the debt, so it needed to be written off.

<table>
<thead>
<tr>
<th>Name</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waheed Lamido</td>
<td>£2,708.99</td>
<td>Customer liable as tenant of property from 14.03.09 to 01.07.11. Account was opened retrospectively on 26.10.11 following proof of tenancy received from landlord. As customer was not billed whilst he was resident, no payment was ever received from him during his tenancy. All relevant tracing checks were carried out, but Council were never able to locate Mr Lamido and there was no option other than to write the account off.</td>
</tr>
<tr>
<td>Willy Nkunku</td>
<td>£2,701.36</td>
<td>Customer held liable as tenant of property for period 17.12.07 to 03.08.10. Account was opened on 04.11.08 and backdated to start of tenancy, as per proof of tenancy received from landlord. No contact or payment was ever received from Mr Nkunku for the duration of his tenancy. Bailiffs were unable to recover any debt. Account was left in arrears after tenancy ended, so various tracing checks were carried out, but no forwarding address could ever be found. The debt therefore had to be written off.</td>
</tr>
<tr>
<td>P Eshilekun</td>
<td>£2,668.54</td>
<td>Customer was held liable as owner of the property from 08.10.04 to 27.06.08. Payment history during this period was very erratic, with only a few payments, totalling £724.22, received for the duration of liability. Course of action taken to recover the debt included use of bailiffs and visits to the property by Enforcement Officers. A bankruptcy warning letter was served at the address, but case was not suitable for this action as Council was unable to make contact with the customer in order to serve the paperwork. Case was therefore referred for a charging order, but the property was sold before this could be done. After the property had been sold and the account closed, Council attempted to trace customer's forwarding address, but Mr Eshilekun could never be located and there was consequently no option other than to write the debt off.</td>
</tr>
</tbody>
</table>
### Title: Information Governance Update

### Report of the Divisional Director of Finance

<table>
<thead>
<tr>
<th>Open Report</th>
<th>For Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wards Affected: All</td>
<td>Key Decision: No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Report Author:</th>
<th>Contact Details:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupert Hay-Campbell ICT and Information Governance Officer</td>
<td>Tel: 020 8227 3190</td>
</tr>
<tr>
<td></td>
<td>E-mail: <a href="mailto:rupert.hay-campbell@lbld.gov.uk">rupert.hay-campbell@lbld.gov.uk</a></td>
</tr>
</tbody>
</table>

| Accountable Divisional Director: | Jon Bunt, Divisional Director of Finance |

| Accountable Director: | Graham Farrant, Chief Executive |

### Summary:

This report provides an update on Information Governance issues in the Council. It includes statistics on Freedom of Information requests and Data Protection Subject Access requests. The report also sets out work that has been completed in the past year by the Information Governance board.

### Recommendation(s)

The committee is recommended to:

(i) Note the data on Freedom of Information requests and Data Protection Act subject access requests

(ii) Note the work that has been ongoing to improve Information Governance in the Council

(iii) Note the planned actions for 2013

(iv) Note that the internal audit recommendations for the Council’s Data Quality policy will be deferred until resources become available

### Reason(s)

To provide the Public Accounts and Audit Select Committee with an update on the Council’s Information Governance work.
1. Introduction and Background

1.1. The previous Information Governance report provided data up to September 2011. This report provides data up to September 2012, but it includes data for the whole financial year 2011/12 for comparison.

1.2. Corporate Complaints and Members Case work are no longer covered by the Information Governance report, as these were covered in a separate report that was presented to PAASC on 22 September 2012.

1.3. The risks associated with Information Governance are identified as corporate risks (CR 10) and an action plan remains in place to mitigate the risks.

1.4. The Information Commissioner’s Office (ICO) continues to make use of its powers to fine organisations responsible for the loss of personal data. The ICO has now fined 19 local councils a total of £1,885,000 (the single biggest fine was £250,000) and was recently quoted as saying “there is an underlying problem with data protection in local government”.

1.5. Effective Information Governance will be key to how the Council responds to the Government’s code of recommended practice on Data Transparency. The Department of Communities and Local Government (DCLG) has been consulting on making the code of recommended practice a legal requirement.

1.6. This report is divided into four main sections:
- Information Management & Security
- Freedom of Information requests
- Data Protection Act Subject Access requests
- Data Quality

1.7. The report concludes by setting out the planned Information Governance activities for the year ahead.

2. Information Management & Security

2.1. Significant work has taken place in 2012 to build an electronic corporate library. The aim of this library is to ensure that the many documents and policies generated across the Council are properly structured and accessible to those staff who need them.

2.2. The corporate library has been implemented as part of the Council’s new intranet system. The corporate library will provide an electronic file plan based upon a nationally defined structure and will be crucial to help ensure that the Council can respond effectively and efficiently to Freedom of Information requests in the future.

2.3. Work has been ongoing to raise awareness of good information governance practices. Posters based on material made freely available by the Information Commissioner’s Office have been distributed across the Council. The “Managing Information” online training course was made available on the Council’s new i-Learn system in October 2012. The following table shows the uptake of this course:

<table>
<thead>
<tr>
<th>Total enrolled</th>
<th>2173</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total &quot;completed&quot;</td>
<td>504</td>
</tr>
<tr>
<td>Total &quot;incomplete&quot;</td>
<td>79</td>
</tr>
<tr>
<td>Total &quot;not attempted&quot;</td>
<td>1589</td>
</tr>
</tbody>
</table>
2.4. All staff are required to take this course annually and additional messages will be sent to staff and managers in January 2013 to remind them of this obligation. Data will be provided to departments on a regular basis detailing how many staff within the department have completed the training.

2.5. New Information Governance pages have been created on the Council’s Intranet. These pages will continue to be refined and updated to reflect issues that are identified by staff.

2.6. The Council has successfully retained its accreditations for the Public Sector Network (PSN) and the NHS N3 networks. These crucial connections are vital to support partnership working with central government, other local authorities and the NHS.

2.7. Information security incidents continue to be reported and investigated internally to ensure that lessons are learnt. The latest information on security incidents is shown in the table below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bogus email / phone call</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Attempted hack</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Computer / laptop stolen</td>
<td>3</td>
<td>11</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Confidential information disclosure</td>
<td>1</td>
<td>8</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Papers left on printer / public area</td>
<td>2</td>
<td>5</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>RSA token lost / stolen</td>
<td>1</td>
<td>7</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Security pass issue</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unsecure email sent</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Improper storage of information</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Password mis-management</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>IT permissions incorrect</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>USB memory device lost / stolen</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>No breach</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>16</td>
<td>38</td>
<td>25</td>
<td>17</td>
</tr>
</tbody>
</table>

2.8. Underreporting of security incidents remains a concern. Staff will be reminded of the importance of reporting any issues for investigation during the year ahead.

2.9. Trends are being observed with:

- The Council’s MFD printers where items are being scanned and emailed to the wrong internal recipient. It is expected that this issue will be addressed through the planned use of ID badges to log on to the printers.

- Emails being sent to the wrong internal recipient. The Information Governance board will be considering these cases to identify any actions that can be taken to reduce the risk of this type of problem occurring in the future.

2.10. The Council self-reported one issue to the Information Commissioner’s Office (ICO). This involved the unauthorised release of information from the Council’s housing system. The ICO confirmed that they considered the release of information to be a breach of the Data Protection Act but they were not planning to take further action against the Council.

ICO Complaints

2.11. There have been three complaints made by members of the public to the Information Commissioner’s Office in the past year relating to the unauthorised releases of personal data:
• A social worker left details in a report which were inappropriately shared with the client. The ICO found that the Council had breached the Data Protection Act but took no further action. Breach occurred: September 2011; complaint to ICO: November 2011; complaint closed: August 2012.

Response from department: It is now accepted good practice that children who are adopted have this explained to them as soon as they are considered able to deal with the information. However this would not have been the case in the 1950s when the service user concerned was adopted by the complainant. This situation arose because of an administrative error when we moved from paper files to all electronic records in social care around 2004/5. The service user’s previous surname was entered on the main client records. A small dedicated team undertook the process of creating new records on an electronic system from paper files and scanning previous documents into the new system. Their work was meticulous and carefully supervised by an experienced member of staff who was trained and well versed in the requirements of the Data Protection Act as it applies to Social Services clients. There were appropriate controls in place.

The social worker concerned was not aware of the previous adoption and unwittingly used the name on the records in error. The particular set of unfortunate circumstances that led to this particular Data Breach is extremely unlikely and there is a very low risk of it occurring again.

• The parking service enclosed the wrong photo of a vehicle when sending a penalty charge notice to the owner. The ICO found that the Council had breached the Data Protection Act but took no further action. Breach occurred: July 2011; complaint to ICO: May 2012; complaint closed: July 2012.

• The parking service sent details of the wrong penalty charge notice to a member of the public and the Parking Appeals Tribunal Service disclosing the personal data of a third party. The ICO found that the Council had breached the Data Protection Act but took no further action. Breach occurred: June 2011; complaint to ICO: May 2012; complaint closed: July 2012.

Response from department: As a result of these two complaints parking services are now moving into a secure office in Barking Town Hall. This office will have a dedicated MFD printer to avoid information from other services being mixed in with responses to PCN’s. Staff are also completing more stringent check sheets to ensure only the correct data is being posted.

3. Freedom of Information Requests

3.1. The number of Freedom of Information requests received by the Council continues to rise year on year:

- In 2009/10 the Council received 711 requests
- In 2010/11 the Council received 818 requests
- In 2011/12 the Council received 1159 requests

3.2. The monthly breakdown of the number of requests is shown in the table below:
3.3. In 2011/2012 the Council started monitoring the number of requests that were being responded to within the statutory deadline:

- In **2011/12** the Council responded to **72%** of requests within the deadline
- In **2012/13** the Council responded to **75%** (to date) of requests within the deadline

3.4. In order to improve the management of Freedom of Information requests, new performance indicators were agreed with Elevate who provide the FoI handling service as part of the B&D contact centre. This new performance indicator measures both how quickly FoI requests are logged and if they are assigned to the correct service area. This data is shown in the table below:

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Ave</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requests correctly handled</td>
<td>74.29%</td>
<td>91.42%</td>
<td>95.71%</td>
<td>100%</td>
<td>94.28%</td>
<td>100%</td>
<td><strong>92.62%</strong></td>
</tr>
</tbody>
</table>

3.5. Requests are received from a wide range of people. The origin of a request is not logged, as requestors only needs to provide their name and contact details when making requests.

3.6. It is not practical to break down all the requests by origin. However an analysis of the requestors making more than 4 requests has been conducted. By reviewing the requests, they have been manually categorised as shown in the table below:

<table>
<thead>
<tr>
<th>Number of requests</th>
<th>Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Media (1 individual)</td>
</tr>
<tr>
<td>8</td>
<td>Local community group (1 individual)</td>
</tr>
<tr>
<td></td>
<td>Not specified (1 individual)</td>
</tr>
<tr>
<td>7</td>
<td>Member of the public – LBBD resident (1 individual)</td>
</tr>
<tr>
<td>6</td>
<td>Media (1 individual)</td>
</tr>
<tr>
<td>5</td>
<td>Solicitors (1 individual)</td>
</tr>
<tr>
<td>4</td>
<td>Member of the public – non-resident (1 individual)</td>
</tr>
<tr>
<td></td>
<td>Commercial (2 individuals)</td>
</tr>
<tr>
<td></td>
<td>Media (2 individuals)</td>
</tr>
<tr>
<td></td>
<td>MP – non-LBBD (1 individual)</td>
</tr>
</tbody>
</table>

3.7. Over the past year work has been undertaken to improve the Council’s handling of Freedom of Information requests. The process followed by staff when they receive a request has been reviewed, updated and simplified. Regular meetings of the Council’s network of “Freedom of Information Champions” have restarted.

**Financial impact**

3.8. Currently information is not collected on the amount of time the council spends on responding to Freedom of Information Requests. It is estimated that, on average,
each request takes one hour to respond to. Using a rate of £25 per hour it is estimated that it cost the council approximately £29,000 to respond to these requests in 2011/12.

3.9. The process for responding to Freedom of Information Requests will be updated to collect an estimate of the amount of time it took to respond to the request. This will allow a more accurate estimate to be calculated in the future.

**Next steps**

3.10. It is planned to implement the new Freedom of Information process from 1 February 2013. Further work is planned to increase awareness of the processes that staff should be following if they receive a request and to ensure that exemptions are correctly applied.

3.11. Work is planned to update the Council’s Publication Scheme and update the Council’s web site to ensure that information made available under the Department of Communities and Local Government recommended code of practice is easily accessible.

### 4. Data Protection Act Subject Access Requests

4.1. The Data Protection Act gives the “data subject” a right to request a copy of the information held about him or her. This is known as a Data Protection Act Subject Access request.

4.2. The Council receives a significant number of Data Protection Act Subject Access requests every year. The month by month breakdown of these requests is shown below:

<table>
<thead>
<tr>
<th>DPA Requests</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>10</td>
<td>8</td>
<td>15</td>
<td>22</td>
<td>14</td>
<td>9</td>
<td>3</td>
<td>11</td>
<td>9</td>
<td>18</td>
<td>10</td>
<td>10</td>
<td>139</td>
</tr>
<tr>
<td>2012/13</td>
<td>16</td>
<td>15</td>
<td>20</td>
<td>17</td>
<td>6</td>
<td>13</td>
<td>18</td>
<td>13</td>
<td>12</td>
<td>11</td>
<td>10</td>
<td>10</td>
<td>118</td>
</tr>
</tbody>
</table>

4.3. **Note:** the number of Data Protection Act Subject Access requests was under reported in 2011. Work during 2012 identified the fact that Subject Access requests for social care clients are logged in a different system. The figures in this report have been updated to include the social care data.

4.4. Although the number of Data Protection Act subject access requests is lower than Freedom of Information requests they are often more complex to respond to.

4.5. A full review of the process for handling Data Protection Act Subject Access requests is planned for 2013. This review will seek to simplify the process and ensure that there is clarity around how requests should be handled – especially from members of staff. The process for requesting a review of the Council’s handling of a Subject Access request also needs to be clarified.

**ICO Complaints**

4.6. There have been two complaints about the Council’s handling of Data Protection Subject Access requests during the 2012:

- A member of staff complained that exemptions had been incorrectly applied to a Data Protection Act Subject Access request. On reviewing the case it was decided that the exemptions no longer applied and the information was released. Complaint to ICO: October 2012; this case is still being considered by the ICO.
Information was only provided electronically to another member of staff in response to a Subject Access request. On reviewing the case it was decided that the cost of printing and posting the material was lower than the statutory limit set out by the Data Protection Act and the information was therefore released. The ICO upheld the complaint. Complaint to ICO: July 2012; complaint closed: August 2012.

4.7. The Council will be conducting a review of the guidance and processes staff use when responding to Data Protection Act Subject Access. This review will include addressing the issues raised by the above two complaints to the ICO.

5. Data Quality

5.1. Responsibility for the Council’s Data Quality policy was taken on by the Information Governance board in 2011. This included responsibility for the following recommendations that were made in an internal audit report in 2011 and which remain outstanding:

- The Data Quality policy should be refreshed so that it is reflective of the current management structures and the resources available
- The policy should be promoted as part of a group of policies concerned with Data Management / Information Governance
- The policy needs to emphasise that Divisional Directors and their managers are responsible for the Data Quality of information upon which they rely, and stress the importance of the accuracy of the data where it is used as the basis for decision making.

5.2. The target date for implementing these recommendations was December 2012.

5.3. Although the importance of data quality is recognised by the Information Governance board, work in 2012 focused on the highest risk areas for the Council, that is information security, Data Protection and Freedom of Information processes. Consequently no work has taken place to implement Internal Audit’s recommendations for the Data Quality policy. When resources become available these recommendations will be addressed.

6. Conclusions and work plan for 2013

6.1. The rise in the number of complaints investigated by the Information Commissioner (there were none in 2011) has highlighted issues with the procedures that staff are using when responding to Data Protection Act Subject Access requests and Freedom of Information requests.

6.2. The following actions are planned for 2013:

- Freedom of Information workshops for Group Managers
- Publication of all Freedom of Information requests on the Council’s website
- Implement new Freedom of Information process
- Regular Freedom of Information Champions’ workshops
- Provide online Freedom of Information training for staff
- Review the process for handling Data Protection Act Subject Access requests
- Raise awareness of the Council’s new corporate library
6.3. Work will continue to ensure that all staff take the online Managing Information training course and to continue to raise awareness of the importance of protecting the Council’s information.

Background Papers Used in the Preparation of the Report:

(http://moderngov.lbbd.gov.uk/ieListDocuments.aspx?CId=589&MId=6273&Ver=4)

LBBD: Corporate Complaints Update report, presented to PAASC 27 September 2012.  
(http://moderngov.lbbd.gov.uk/ieListDocuments.aspx?CId=589&MId=6528&Ver=4)


Information Commissioner’s Office: News release – local councils fined over £300,000 for losing personal data, published 17 December 2012.  

List of appendices:

None
**Title: Elevate East London Terms of Reference**

<table>
<thead>
<tr>
<th>Report of Scrutiny</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Open</td>
<td>For Information</td>
</tr>
<tr>
<td>Wards Affected: None</td>
<td>Key Decision: No</td>
</tr>
<tr>
<td>Report Author:</td>
<td>Contact Details:</td>
</tr>
<tr>
<td>Christopher Owens, Scrutiny Officer</td>
<td>E-mail: <a href="mailto:Daniel.ward@lbbd.gov.uk">Daniel.ward@lbbd.gov.uk</a></td>
</tr>
<tr>
<td>Daniel Ward, Scrutiny Manager</td>
<td>Tel: 020 8227 2456</td>
</tr>
</tbody>
</table>

**Accountable Divisional Director:**
Jonathan Bunt, Divisional Director Finance (Scrutiny Champion)

**Accountable Director:**
Graham Farrant, Chief Executive

**Summary:**
This report contains the draft terms of reference for the Elevate East London scrutiny review. The terms of reference have been developed in consultation with those listed at the bottom of this page.

**Recommendation(s)**
The Select Committee is asked to AGREE the terms of reference or propose amendments.

**Consultees:**
Chief Executive, LBBD
Divisional Director Finance
Head of Legal and Democratic Services
Chief Executive, Elevate East London
Group Manager Legal
Scrutiny Manager
Scrutiny Officer
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**In-Depth Review of Elevate East London**

**AIM:**

“To scrutinise certain aspects of the Incremental Partnership Agreement with Elevate East London LLP (“Elevate”), its performance and variation, and report to Cabinet our findings and recommendations to ensure the contract continues to meet the needs of this Council and its residents.”

**TERMS OF REFERENCE:**

1. To review and comment on any variations made to the Incremental Partnership Agreement (the “Agreement”) since its signing.
2. To pay particular attention to the Customer Services elements of performance, specifically the One Stop Shops in Barking and Dagenham.
3. To review and comment on whether the performance reports provided by Elevate to this Council reflect the performance that we want to measure and whether the reporting method accords with the reporting requirements of the Council, and whether they are the most appropriate measures for our services.
4. To review and comment on this Council’s contract monitoring capabilities in relation to the Agreement and make recommendations as to where improvements can be made.
5. To produce a final report which:
   1) Sets out the Committee’s findings,
   2) Makes suggestions of any new ideas and ways of working that the Council may not have considered before.
   3) Makes such recommendations as the Committee deems fit and necessary for future adoption by the parties to the Agreement.

**INDICATORS OF SUCCESS:**

A. Whether the recommendations made are accepted and implemented.
B. How Agilisys and Elevate East London respond to the report.
C. How Cabinet respond to the report.
Dear Mr Farrant

Audit Arrangements for 2012/13

As promised, I am writing to set out the arrangements for the audit of the 2012/13 financial year at London Borough of Barking and Dagenham. This letter sets out:

- Audit Personnel;
- The Indicative Audit Fee;
- Billing Arrangements; and
- Audit Quality.

Audit Personnel

We propose that the Engagement Lead for your audit will remain Jon Hayes, who is an experienced auditor joining KPMG from the Audit Commission. I have asked Jon to contact you in order to discuss any issues that you may have.

We have not yet allocated Managers or other team members to individual clients, but we will let you know once we have.

Indicative Audit Fee

Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission. As the audit for 2011/12 has not yet been completed and we have not yet begun our appointment as your auditors, we will review and update fees as necessary. This will take account of the audit planning process for 2012/13, including the risk assessment. We will naturally keep you informed if there are any changes.
The indicative fee for the audit for 2012/13 is £303,700 (exc VAT) and its breakdown is shown below. These figures incorporate the reductions that the Audit Commission has been able to implement following the market testing of audit services. As you will know, from 2012/13 the Audit Commission is introducing a composite indicative fee for grant certification work for each body. The Commission has calculated the indicative fee based on actual certification fees for 2010/11, adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating the general reduction to its fee scales.

<table>
<thead>
<tr>
<th>Audit area</th>
<th>Indicative fee 2012/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code of Audit Practice audit</td>
<td>£218,700</td>
</tr>
<tr>
<td>Audit of Pension Fund</td>
<td>£21,000</td>
</tr>
<tr>
<td>Certification of grant claims</td>
<td>£64,000</td>
</tr>
</tbody>
</table>

The indicative fees are based on a number of assumptions, which I have summarised in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified by your previous auditors for 2011/12.

A plan for the audit of the 2012/13 financial statements will be issued later this year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you and then prepare a report outlining the reasons why the fee needs to change.

The proposed fee excludes any additional work we may agree to undertake at your request. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

Billing Arrangements

We are taking this opportunity to standardise the billing arrangements for all our audit clients and will bill for audit services quarterly in advance during the year of audit. As you will appreciate, no fees have been raised so far for the financial year 2012/13 so we will bill for the first two quarters on or around 1st September 2012.

Audit Quality

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact your
nominated Engagement Lead in the first instance. Alternatively, you may wish to contact me in my role as KPMG's national contact partner for Audit Commission work.

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet ‘Something to Complain About’, which is available from the Commission’s website (www.audit-commission.gov.uk) or on request.

Yours sincerely

Trevor Rees
Contact Partner for Audit Commission Work
KPMG LLP

cc: Jon Hayes
Appendix 1 – Audit fee assumptions

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2012/13 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our prepared by client request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and materially accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes;
- the grant claims and returns requiring certification are as advised to us by the Audit Commission; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998. The fees for any such work will be agreed with you separately.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be reviewed when we issue the financial statements audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by the Audit Commission, KPMG or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.
## The contacts at KPMG in connection with this report are:

**Philip Johnstone**  
Director  
KPMG LLP (UK)  
Tel: 020 7311 2091  
philip.johnstone@kpmg.co.uk  

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Mob: 0777 657 583  
Martin.Searle@kpmg.co.uk  

**Mohammed Azam**  
Assistant Manager  
KPMG LLP (UK)  
Tel: 07980 222 672  
mohammed.azam@kpmg.co.uk  

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20  
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This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission’s website at www.auditcommission.gov.uk.

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

If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Philip Johnstone, the appointed engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG’s work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission’s complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 788 3131, textphone (minicom) 020 7630 0421.

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Section one
Introduction

Scope of this report
We are pleased to be appointed as your external auditors for 2012/13. This document supplements our Audit Fee Letter 2012/13 sent to you in August 2012. It describes how we will deliver our financial statements audit work for London Borough of Barking and Dagenham (‘the Council’). It also sets out our approach to value for money (VFM) work for 2012/13.

The scope of this plan does not include the Council’s Pension Fund (see right).

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

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

Statutory responsibilities
Our statutory responsibilities and powers are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Audit Commission’s Code of Audit Practice.

The Code of Audit Practice summarises our responsibilities into two objectives, requiring us to review and report on your:

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

The Audit Commission’s Statement of Responsibilities of Auditors and Audited Bodies sets out the respective responsibilities of the auditor and the Council.

Pension Fund audit
We will issue an Accounts audit protocol that will give the timetable for our audit, and a list of documents that we will require in order to complete our audit.

We will follow this up with a meeting with the Pensions Finance Manager to discuss our requirements and any other queries.

Our only formal report is the report to those charged with governance which we will present to the Public Accounts and Audit Select Committee (PAASC) in September 2013.

Structure of this report
This report is structured as follows:

- Section 2 includes our headline messages, focusing on the key risks identified this year for the financial statements audit.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 provides further detail on the financial statements audit risks.
- Section 5 explains our approach to VFM work.
- Section 6 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements
We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.
We have identified a number of key risks that we will focus on during the audit of the 2012/13 financial statements.

The remainder of this document provides information on our:
- approach to the audit of the financial statements;
- approach to VFM work; and
- audit team, proposed deliverables, timescales and fees for our work.

### Area Risk Audit work

<table>
<thead>
<tr>
<th>Area</th>
<th>Risk</th>
<th>Audit work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Plant and Equipment (PPE)</td>
<td>The Council maintains a PPE portfolio valued at £1,394 million at 31 March 2012, and is managing a large capital programme in 2012/13 with expenditure projected to exceed £100 million allowing for slippage. The valuation of PPE is an estimate and subject to significant levels of professional judgement informed by economic conditions. The high values involved raise the level of risk particularly in relation to valuation and impairments. This is a complex area due to the impact of capital financing and the related accounting transactions.</td>
<td>We will review the controls the Council has in place to determine its property, plant and equipment balances, including instructions and information provided to the Council’s valuers. We will agree the PPE balances to valuers’ reports.</td>
</tr>
<tr>
<td>Financial resilience</td>
<td>In common with many public sector bodies, the Council is tackling a range of measures to retain financial balance in 2012/13 and future years. The Council is currently delivering savings totalling £18 million in 2012/13 and officers project that net expenditure will be contained within budget and a small contribution made to the General Fund reserve at year end. As Members are aware, austerity measures continue in 2013/14 and beyond, and as the Council prepares to retain its Council Tax level for the fifth successive year, a further £17 million of savings will be required in 2013/14 to address further reductions to local authority funding and continued cost pressures. The Council will need to establish and manage its savings plans to secure longer term financial and operational sustainability and ensure that any related liabilities are accounted for in its 2012/13 financial statements as appropriate.</td>
<td>We will assess the controls the Council has in place to maintain a sound financial standing and review future financial plans and the delivery of its savings plans. We will also review the Council’s assessment of potential liabilities and any provisions in its 2012/13 financial statements.</td>
</tr>
</tbody>
</table>
We have summarised the four key stages of our financial statements audit process for you below:

1. **Planning** (January to March)
   - Update our business understanding and risk assessment.
   - Assess the organisational control environment.
   - Determine our audit strategy and plan the audit approach.
   - Issue our *Accounts Audit Protocol*.
2. **Control evaluation** (March to April)
   - Evaluate and test selected controls over key financial systems.
   - Review the internal audit function.
   - Review the accounts production process.
   - Review progress on critical accounting matters.
3. **Substantive procedures** (July to August)
   - Plan and perform substantive audit procedures.
   - Conclude on critical accounting matters.
   - Identify audit adjustments.
   - Review the Annual Governance Statement.
4. **Completion** (September)
   - Declare our independence and objectivity.
   - Obtain management representations.
   - Report matters of governance interest as appropriate.
   - Form our audit opinion.
During January to March 2013 we complete our planning work.

We assess the key risks affecting the Council’s financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes, including the Council’s IT systems, that would impact on our audit.

We determine our audit strategy and approach, and agree a protocol for the accounts audit, specifying what evidence we expect from the Council to support the financial statements.

Our planning work takes place from January to March 2013. This involves the following aspects:

- Update our business understanding and risk assessment.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our Accounts Audit Protocol.

**Business understanding and risk assessment**

We update our understanding of the Council’s operations and identify any areas that will require particular attention during our audit of the financial statements.

We identify the key risks affecting the financial statements. These are based on our knowledge of the Council, our sector experience and our ongoing dialogue with staff. The risks identified to date are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Council’s responsibility to adequately address these issues. We encourage the Council to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the finance team as appropriate to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

**Organisational control environment**

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit. In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the work of your internal auditors also informs our risk assessment.

The Council relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations. Whilst we undertake some general IT controls work, we also focus on testing the specific applications and reports that are pivotal to the production of the financial statements.

**Audit strategy and approach**

The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities.

We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Lead.

**Accounts audit protocol**

At the end of our planning work we will issue our Accounts Audit Protocol. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Council to provide during our interim and final accounts visits.

We met with the finance team to discuss mutual learning points from the 2011/12 audit, undertaken by the Audit Commission’s in house Audit Practice. These will be incorporated into our work plan for 2012/13. We revisit progress against areas identified for development as the audit progresses.
Section three
Our audit approach – control evaluation

During March and April 2013 we will complete our interim audit work.

We assess if controls over key financial systems were effective during 2012/13. We work with your Internal Audit team to avoid duplication.

We work with your finance team to enhance the efficiency of the accounts audit.

We will present our Interim Report to the PAASC in June.

Our interim visit on site will be undertaken in March and April 2013. During this time we will complete work in the following areas:

- Evaluate and test controls over key financial systems identified as part of our risk assessment.
- Review the work undertaken by the internal audit function on controls relevant to our risk assessment.
- Review the accounts production process.
- Review progress on critical accounting matters.

Controls over key financial systems
We update our understanding of the Council’s key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Appendix 1 illustrates how we determine the most effective balance of internal controls and substantive audit testing.

Where our audit approach is to undertake controls work on financial systems, we seek to rely on any relevant work Internal Audit have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place reliance on their work. We have met with the Head of Internal Audit to discuss the principles and timetables for co-operation for 2012/13.

Review of internal audit
Where we intend to rely on internal audit’s work in respect of the key financial systems identified as part of our risk assessment, auditing standards require us to review aspects of their work. This includes re-performing a sample of tests completed by internal audit. We will provide feedback as appropriate to the Head of Internal Audit at the end of our interim visit.

Accounts production process
The Audit Commission raised a number of recommendations in its Report to Those Charged with Governance (ISA 260 Report) 2011/12 relating to the accounts production process. The most significant of these were to:

- The timely preparation control accounts and their sign off. In particular those controls relating to cash, payroll and investments and:
- Delivery of the future capital programme on a timely basis.
- Following the departure of the Chief Executive and Corporate Director of Finance and Resources reviewing the managerial capacity to deliver on the Council’s priority areas.

We will assess the Council’s progress in addressing our recommendations and in preparing for the closedown and accounts preparation.

Critical accounting matters
We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

Following our interim visit we will issue our Interim Report which will set out the findings of our planning and interim work. This will be discussed at the PAASC meeting in June.
Section three
Our audit approach – substantive procedures

During July and August 2013 we will be on site for our substantive work. We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements. We also review the Annual Governance Statement for consistency with our understanding. We will present our ISA 260 Report to the PAASC in September 2013.

Our final accounts visit on site has been provisionally scheduled for the period July and August 2013. During this time, we will complete the following work:

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

Substantive audit procedures
We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Council’s control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

Critical accounting matters
We conclude our testing of the key risk areas as identified at the planning stage and any additional issues that may have emerged since. We will discuss our early findings of the Council’s approach to address the key risk areas with the Director of Finance in September 2013, prior to reporting to the PAASC.

Audit adjustments
During our on site work, we will meet with key Council finance staff regularly to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the PAASC. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Annual Governance Statement
We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

We report the findings of our final accounts work in our ISA 260 Report, which we will present to the PAASC in September 2013.
Section three
Our audit approach - other

Whole of government accounts (WGA)
We are required to review and issue an opinion on your WGA consolidation to confirm that this is consistent with your financial statements. The audit approach has been agreed with HM Treasury and the National Audit Office.

Elector challenge
The Audit Commission Act 1998 gives electors certain rights. These are:
- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

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

The costs incurred in responding to questions or objections raised by electors are not part of the fee. This work will be charged in accordance with the Audit Commission’s fee scales.

Reporting and communication
Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the PAASC. Our deliverables are included on page 17.

Use of off-shore audit resources
During our audit work we may make use of our KPMG Global Services (KGS Audit) team in India to undertake certain basic audit tasks and functions. Use of this ‘off-shore’ team is one of many initiatives we employ to deliver a cost-effective audit service for our clients. Although based in India, the KGS Audit team works closely with our local audit teams to undertake certain audit procedures remotely. We have provided our UK teams with guidance on the types of audit procedures and other tasks that it is suitable and permissible to use KGS Audit for - we do not use KGS Audit for any audit procedures that involve access to personal, confidential or sensitive information. Audit tasks are then allocated by our UK-based engagement teams to dedicated teams in India, allowing local staff to control what work KGS Audit undertakes and what information is accessed. They operate to our same quality standards and all work undertaken by KGS Audit is reviewed by the UK team.

The KGS Audit team operates in a paperless environment and we apply robust processes to control how data is accessed and used:
- all work is conducted electronically;
- all data files are maintained on servers in the UK with restricted access and only viewed on screen in India. These servers are governed by established KPMG IT controls;
- policy and technology restrictions are in place to protect data, for example locked down USB ports, no external emailing, no printing;
- KGS Audit staff are based in an office with restricted access and security; and
- the team members adhere to global KPMG ethics and independence standards, along with requirements governing the non-disclosure of client information.
Section three
Our audit approach - other

Independence and objectivity confirmation

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

The standards define ‘those charged with governance’ as ‘those persons entrusted with the supervision, control and direction of an entity’. In your case this is the Audit Committee.

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

Confirmation statement

We confirm that as of February 2013 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.
### Section four

**Key financial statements audit risks**

For each key risk area we have outlined the impact on our audit plan. We will provide an update on how the Council is managing these risks in our *Interim Audit Report*.

<table>
<thead>
<tr>
<th>Key audit risks</th>
<th>Impact on audit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk</strong></td>
<td></td>
</tr>
<tr>
<td>As at February 2012, the Council is forecasting that it will deliver its 2012/13 budget in overall terms. This includes a savings programme totalling £18 million. The Council reports that it is on track to deliver these savings. The Council currently projects that another £17 million in savings will need to be achieved during 2013/14 and a further £7 million by 2014/15 to address reductions to local authority funding. Against a backdrop of continued demand pressures in Adult Social Care, Children’s Services and Housing and Finance, it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability. If there are any related liabilities at year end, these will need to be accounted for in the 2012/13 financial statements as appropriate.</td>
<td></td>
</tr>
<tr>
<td><strong>Audit areas affected</strong></td>
<td><strong>Reserves and balances</strong></td>
</tr>
<tr>
<td><strong>Savings plans</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Our audit work**

In conjunction with our VFM work we will critically assess the controls the Council has in place to ensure a sound financial standing, specifically that its Medium Term Financial Plan takes into account the potential funding reductions and financial impact of changes in legislation.

We will also review how the Council is planning and managing its savings plans.

As part of our final accounts audit we will review the Council’s assessment of any potential liabilities arising from its savings plans against the Code. If applicable, we will review the Council’s provisions, including the methodology, assumptions and calculations.
Section four  
Key financial statements audit risks (continued)

For each key risk area we have outlined the impact on our audit plan. We will provide an update on how the Council is managing these risks in our *Interim Audit Report*.

<table>
<thead>
<tr>
<th>Key audit risks</th>
<th>Impact on audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk</td>
<td>The valuation of PPE is an estimate and subject to significant judgement. The high values involved raise the level of risk specifically around valuation and impairment. We will review how the council values these assets and the instructions issued to the valuer.</td>
</tr>
<tr>
<td>In addition to the above, the high level of capital spend in the year by the Council amounts to £103 million for 2012/13. The estimated capital programme for 2013/14 is £157 million. We need to ensure that this level of spend follows the council protocols and safeguards.</td>
<td></td>
</tr>
<tr>
<td><strong>Our audit work</strong></td>
<td>We will review the controls the Council has in place to determine its property plant and equipment balances, including instructions and information provided to the Council's property valuer.</td>
</tr>
<tr>
<td>We will agree the property plant and equipment balances to the valuer’s report.</td>
<td></td>
</tr>
</tbody>
</table>
**Section five**

**VFM audit approach**

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**Background to approach to VFM work**

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission’s *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector. The approach is structured under two themes, as summarised below.

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### Specified criteria for VFM conclusion

<table>
<thead>
<tr>
<th>Specified criteria for VFM conclusion</th>
<th>Focus of the criteria</th>
<th>Sub-sections</th>
</tr>
</thead>
</table>
| The organisation has proper arrangements in place for securing **financial resilience**. | The organisation has robust systems and processes to:  
  - manage effectively financial risks and opportunities; and  
  - secure a stable financial position that enables it to continue to operate for the foreseeable future. | **Financial governance**  
**Financial planning**  
**Financial control** |
| The organisation has proper arrangements for challenging how it **secures economy, efficiency and effectiveness**. | The organisation is prioritising its resources within tighter budgets, for example by:  
  - achieving cost reductions; and  
  - improving efficiency and productivity. | **Prioritising resources**  
**Improving efficiency and productivity** |
Overview of the VFM audit approach
The key elements of the VFM audit approach are summarised below.

Each of these stages are summarised further below.

<table>
<thead>
<tr>
<th>VFM audit stage</th>
<th>Audit approach</th>
</tr>
</thead>
</table>
| VFM audit risk assessment        | We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Council. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors’ responsibilities under the *Code of Audit Practice*. In doing so we consider:  
  - the Council’s own assessment of the risks it faces, and its arrangements to manage and address its risks;  
  - information from the Audit Commission’s VFM profile tool and financial ratios tool;  
  - evidence gained from previous audit work, including the response to that work; and  
  - the work of the Audit Commission, other inspectorates and review agencies. |
### Section five
#### VFM audit approach (continued)

<table>
<thead>
<tr>
<th>VFM audit stage</th>
<th>Audit approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linkages with financial statements and other audit work</td>
<td>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Council’s organisational control environment, including financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities. We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</td>
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<tr>
<td>Assessment of residual audit risk</td>
<td>It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria. Such work may involve interviews with relevant officers and/or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Council may prepare against the characteristics. To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion. At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.</td>
</tr>
</tbody>
</table>
| Identification of specific VFM audit work                                       | If we identify residual audit risks, then we will highlight the risk to the Council and consider the most appropriate audit response in each case, including:  
  - considering the results of work by the Council, the Audit Commission, other inspectorates and review agencies; and  
  - carrying out local risk-based work to form a view on the adequacy of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources. |
Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We will report on the results of the VFM audit through our *Interim Audit Report* and our *Report to those charged with governance*.

### VFM audit stage | Audit approach
---|---
**Delivery of local risk based work** | Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:
- local savings review guides based on selected previous Audit Commission national studies; and
- update briefings for previous Audit Commission studies.

The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.

**Concluding on VFM arrangements** | At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG’s quality control processes, to help ensure the consistency of auditors’ decisions.

**Reporting** | We will report on the results of the VFM audit through our *Interim Audit Report* and our *Report to those charged with governance*. These reports will summarise our progress in delivering the VFM audit, the results of the risk assessment and any specific matters arising, and the basis for our overall conclusion.

The key output from the work will be the VFM conclusion (i.e. our opinion on the Council’s arrangements for securing VFM), which forms part of our audit report.
Your audit team has been drawn from our specialist public sector assurance department.

Contact details are shown on page 1.

The audit team will be assisted by other KPMG specialists as necessary.

**Section six**

**Audit team**

"My role is to lead our team and ensure the delivery of a high quality external audit opinion. I will be the main point of contact for the Audit Committee and the Authority's Chief Officers."

Philip Johnstone  
**Director**

"I am responsible for the management, review and delivery of the whole audit and providing quality assurance for any technical accounting areas. I will work closely with Philip to ensure we add value. I will liaise with the Director of Finance and Head of Internal Audit."

Martin Searle  
**Senior Manager**

"I will be responsible for the on-site delivery of our work. I will liaise with the Finance Managers and Internal Audit Managers. I will also supervise the work of our audit assistants."

Mohammed Azam  
**Assistant Manager**
### Audit deliverables

At the end of each stage of our audit, we issue certain deliverables, including reports and opinions. Our key deliverables will be delivered to a high standard and on time.

We will discuss and agree each report with the Authority’s officers prior to publication.

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Purpose</th>
<th>Committee dates</th>
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<tbody>
<tr>
<td><strong>Planning</strong></td>
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</table>
| **External Audit Plan** | ▪ Outline audit approach.  
▪ Identify areas of audit focus and planned procedures. | March 2013 |
| **Control evaluation** | | |
| **Interim Report** | ▪ Details and resolution of control and process issues.  
▪ Identify improvements required prior to the issue of the draft financial statements and the year-end audit.  
▪ Depending on the nature of our findings, we may incorporate our interim report within our regular progress reports to the PAASC. | June 2013 |
| **Substantive procedures** | | |
| **Report to Those Charged with Governance (ISA 260 Report)** | ▪ Details the resolution of key audit issues.  
▪ Communication of adjusted and unadjusted audit differences.  
▪ Performance improvement recommendations identified during our audit.  
▪ Commentary on the Council’s value for money arrangements. | September 2013 |
| **Completion** | | |
| **Auditor’s report** | ▪ Providing an opinion on your accounts (including the Annual Governance Statement).  
▪ Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion). | September 2013 |
| **Annual Audit Letter** | ▪ Summarises the outcomes and the key issues arising from our audit work for the year. | November 2013 |
Section six
Audit timeline

We will be in continuous dialogue with you throughout the audit.

Key formal interactions with the PAASC are:
- March – External Audit Plan;
- June – Interim Report;
- September – ISA 260 Report;
- November – Annual Audit Letter.

We work with the finance team and internal audit throughout the year.

Our main work on site will be our:
- Interim audit visit during April
- Final accounts audit during July and August.

Regular meetings between the Engagement Leader and the Chief Executive and/or Director of Finance

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<th></th>
<th>Jan</th>
<th>Feb</th>
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<th>May</th>
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<tr>
<td>Presentation</td>
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<td>of the External Audit Plan</td>
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<td>Presentation of the Interim Report</td>
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<td>Presentation of the ISA260 Report</td>
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<tr>
<td>Presentation of the Annual Audit Letter</td>
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Audit workflow

- Interim audit visit
- Final accounts visit
- Control evaluation
- Substantive procedures
- Completion
- Continuous liaison with the finance team and internal audit

Key: PAASC meetings.
Audit fee

The main fee for 2012/13 audit is £218,700. The fee has not changed from that set out in our Audit Fee Letter 2012/13 issued in August 2012. Our audit fee remains indicative and based on you meeting our expectations of your support. Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Our Audit Fee Letter 2012/13 presented to you in August 2012 first set out our fees for the 2012/13 audit. We have not considered it necessary to make any changes to the agreed fees at this stage.

### Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the CIPFA Code of Practice on Local Council Accounting in the UK 2012/13 within your 2012/13 financial statements;
- you will comply with the expectations set out in our Accounts Audit Protocol, including:
  - the financial statements are made available for audit in line with the agreed timescales;

- good quality working papers and records will be provided at the start of the final accounts audit;
- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit;
- additional work will not be required to address questions or objections raised by local government electors.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee. The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee low. Future audit fees can be kept to a minimum if the Council achieves an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

### Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Director of Finance.

<table>
<thead>
<tr>
<th>Element of the audit</th>
<th>2012/13 (planned)</th>
<th>2011/12 (actual)</th>
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<tbody>
<tr>
<td>Gross Audit Fee</td>
<td>£218,700</td>
<td>£364,500</td>
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</table>
Appendices

Appendix 1: Balance of internal controls and substantive testing

This appendix illustrates how we determine the most effective balance of internal controls and substantive audit testing.

<table>
<thead>
<tr>
<th>What we do</th>
<th>Accounts/transactions suited to this testing</th>
<th>For example KPMG's approach to:</th>
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</thead>
<tbody>
<tr>
<td>Extensive controls testing</td>
<td>Reduced substantive testing</td>
<td>Low value transactions</td>
</tr>
<tr>
<td>Moderate controls testing</td>
<td>Moderate substantive testing</td>
<td>High volume</td>
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<tr>
<td>Limited controls testing</td>
<td>Extensive substantive testing</td>
<td>Homogenous transactions</td>
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<td>Little judgement</td>
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<td>Income and debtors</td>
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<td>Purchases and payables</td>
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<td>Payroll</td>
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<td>Valuation of fixed assets</td>
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<td>Treasury</td>
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<td>Investments and borrowings</td>
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<td>Provisions</td>
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</table>

Accounts/transactions suited to this testing:
- Low value transactions
- High volume
- Homogenous transactions
- Little judgement

Emphasis of testing:
- Limited controls testing
- Extensive substantive testing
- High value/ low volume
- Unusual non-recurring
- Accounting estimates
- Significant judgements
Appendices

Appendix 2: Independence and objectivity requirements

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors’ functions under the Code. If the Council invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner.
- Audit staff are expected not to accept appointments as lay school inspectors.
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body’s area in direct competition with the body’s own staff without having discussed and agreed a local protocol with the body concerned.

Auditors are expected to comply with the Commission’s statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors’ conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors’ independence.

Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.

Auditors are expected to comply with the Commission’s policy for the Engagement Lead to be changed on each audit at least once every five years (subject to agreed transitional arrangements). Audit suppliers are required to obtain the Commission’s written approval prior to changing any Engagement Lead in respect of each audited body.

Audit suppliers are required to obtain the Commission’s written approval prior to changing any Engagement Lead in respect of each audited body.

The Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual’s relevant qualifications, skills and experience.
At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG’s Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We continually focus on delivering a high quality audit. This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

The diagram summarises our approach and each level is expanded upon.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority’s risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission’s Code of Audit Practice.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based bi-monthly technical training.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG’s eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission’s Code of Audit Practice.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Philip Johnstone as Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Appendix 3: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit. This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG’s Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG’s Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Philip Johnstone as Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG’s eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly
Appendices

Appendix 3: KPMG Audit Quality Framework

Commitment to technical excellence and quality service delivery:
Our professionals bring you up-the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results
We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The results of the Audit Commission’s annual quality review process is made publicly available each year (http://www.audit-commission.gov.uk/audit-regime/Pages/qualityreviewprocess_copy.aspx). The latest report dated October 2012 showed that we performed highly against all the Commission’s criteria.

We continually focus on delivering a high quality audit. This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff. Quality must build on the foundations of well trained staff and a robust methodology.

Appendices

Appendix 3: KPMG Audit Quality Framework
Title: INTERNAL AUDIT TERMS OF REFERENCE, STRATEGY & AUDIT PLAN 2013/14

Report of: DIVISIONAL DIRECTOR OF FINANCE

Open: For Discussion & Agreement

Wards Affected: None

Key Decision: No

Report Author: David Greenfield

Contact Details:
Tel: 020 8227 2896
E-mail: david.greenfield@lbld.gov.uk

Accountable Divisional Director/Director: Jonathan Bunt

Summary:
It is best practice for the Head of Audit to maintain an audit strategy; a high-level statement of how the internal audit service will be delivered and how it links to the organisational objectives and priorities. The strategy is developed in accordance with Audit’s terms of reference, which defines the role and arrangements governing the provision of Internal Audit services. It is also best practice that these documents be periodically considered by the Audit Committee or equivalent Member body.

This report also outlines the proposed Internal Audit activity to be undertaken in line with the Audit Strategy in 2013/14.

Recommendation(s):
Members are requested to consider the Internal Audit Terms of Reference and Strategy.

Members are requested to consider and agree the Audit Plan for 2013/14.

Reason(s)
This supports the delivery of the Members Policy House objective of achieving “a well run organisation”

1. Introduction & Background

1.1 The purpose of this report is for Members to consider Audit’s Terms of Reference and Strategy and consider and agree the 2013/14 Internal Audit Plan for the organisation.

1.2 The Audit Terms of Reference & Audit Strategy were previously considered by this Committee at its meeting in March 2012.

2. Audit Strategy & Terms of Reference

2.1 The Audit Strategy is a high-level statement of how the internal audit service will be delivered and how it links to the organisational objectives and priorities. The strategy is developed in accordance with Audit’s terms of reference.
reference, which defines the role and arrangements governing the provision of Internal Audit services. Best practice requires the Head of Audit to produce an audit strategy and Terms of Reference and that these are periodically considered by the Audit Committee or equivalent Member body.

2.2 Both documents have been reviewed to ensure they reflect latest developments in the internal audit field, most notably against the new Public Sector Internal Audit Standards (which will replace the CIPFA Code of Practice for Internal Audit Standards in April 2013) to ensure the Internal Audit service continues to be provided in accordance with best practice and that the Authority maintains an effective system of internal control which is a statutory requirement as part of arrangements for the production of the Annual Governance Statement. The Terms of Reference and Audit Strategy are set out in Appendix 1.

3. Internal Audit Plan 2013/14 Objectives
3.1. The Internal Audit Plan for 2013/14 has been prepared in line with the Audit Strategy. The objectives of the audit plan are to:

- Undertake systems audits in line with the “Managed Audit” approach on which External Audit can place reliance;
- Provide assurance about the internal control environment and Governance arrangements to support the Annual Governance Statement including compliance checks;
- Provide assurance to managers about the adequacy of their risk management arrangements and the operation of key systems;
- Carry out a programme of audits at the Borough’s schools;
- Provide general advice and guidance to management in the proper construction of a sound framework of internal controls.

Overall, delivery of the Audit Plan enables the Head of Audit to give an opinion on the system of internal control. The opinion is based on a relatively small audit programme, supported by other sources of assurance. As such, whilst adequate resources are in place to deliver the opinion, Members must note it does not represent assurance in respect of the whole internal control system of the Council.

4. How the plan was prepared
4.1. The Audit Plan seeks to focus on supporting delivery of the Council’s Priorities and Plans through providing assurance on, and championing, the underlying governance, risk management and internal control frameworks, focusing on the key issues through a risk-based approach.

4.2. As far as practicable, the plan is compiled using a risk-based approach. To this end, Key activities were undertaken to understand:
- Stakeholder requirements;
• Assurances available to address these requirements upon which reliance can be placed and duplication avoided;
• Key Risks from the risk registers;
• Key changes within the authority;
• What is coming more generally (horizon scanning issues); and
• What needs independent assurance from Internal Audit.

4.3. Accordingly, the key stakeholder/inputs were:

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<thead>
<tr>
<th>Stakeholder/Input</th>
<th>Method of information collation</th>
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<tbody>
<tr>
<td>Internal Audit Needs Assessment</td>
<td>Issues of audit interest identified utilising information on council activities, inherent risks, materiality and previous audit and other inspection outcomes to arrive at needs assessment and identification of audit topics deemed ‘high priority’</td>
</tr>
<tr>
<td>Corporate &amp; Departmental Risk Registers</td>
<td>Corporate Risks, Departmental Risks and Associated Action Plans</td>
</tr>
<tr>
<td>Corporate Directors and Divisional Directors</td>
<td>All Directors were invited to contribute their own views of risk and issues of concern</td>
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<tr>
<td>External Audit</td>
<td>Common understanding of risks faced by the Authority have been discussed with the new External Auditor, KPMG</td>
</tr>
<tr>
<td>Assurance &amp; Risk</td>
<td>Issues of concern/where audit may add value utilising knowledge and experience of staff</td>
</tr>
<tr>
<td>London Audit &amp; Anti-Fraud Partnership/Deloitte</td>
<td>Intelligence from/with Local Authorities partners to identify key topical audit issues faced by Local Government plus Intelligence collated from research into Local Government current issues, supported by evidence of outcomes from work across a number of local authorities</td>
</tr>
<tr>
<td>Internet Resources</td>
<td>For example, CIPFA’s Technical Information Service Online &amp; Better Governance Forum – national issues/areas of interest</td>
</tr>
</tbody>
</table>

4.4. The plan reflects a contingency for any ad hoc projects that will arise, for advice, support or information requested by departments in support of their systems of internal control, support to this Committee, contract management of the audit contractor together with an allowance for time to complete audit work from 2012/13 – as with any year, there will be audits that cross over the financial years.

4.5. In addition to the Audit Plan, the Audit & Anti-Fraud Group undertakes work in relation to responding to investigations, promoting an anti-fraud culture and detecting and preventing fraud. Fraud profiling is used in part to plan the pro-active work of the corporate anti-fraud team, together with
judgements on likely areas of fraud and irregularity from knowledge and experience of audit staff, and good practice elsewhere (for example Audit Commission’s ‘Protecting the Public Purse’ and the National Fraud Authority). Having said this, the Audit & Anti-Fraud Group is not primarily responsible for dealing with fraud – this is a management responsibility, and the anti fraud strategy re-enforces the message that protecting the council against fraud is everyone’s business. PAASC will receive regular updates on the work of the anti-fraud teams.

5. Audit Plan 2013/14
5.1. An audit plan has been produced which matches auditable areas in terms of risk and priority to the resources available. Work will be delivered through a combination of in-house resources, supported by externally provided audit services through the framework agreement in place with LB Croydon.

5.2. The draft plan is presented as Appendix 2. The plan is grouped by audit coverage. For each discrete audit area, a brief description of the scope for the work is provided, along with the type of audit, the link to CMT-identified Corporate Risks and a prioritisation level arising from the internal audit needs analysis. Timing of and detailed scopes for each audit will be agreed with the relevant Divisional Director prior to commencement of the fieldwork.

6. Future Reporting
6.1. Progress on Internal Audit’s performance & delivery of work against the Audit Plan (including key performance indicators), management performance on the implementation of audit recommendations and updates on significant issues arising will be reported as part of our Composite Quarterly Report although Members may request updates, or more detailed information, at any time.

7. Financial Implications
Implications completed by: Jonathan Bunt Divisional Director of Finance Telephone and email: 0208 724 8427 jonathan.bunt@lbbd.gov.uk

7.1. Audit Activity in 2013/14 is planned to be delivered within existing financial resources

8. Legal Implications
Implications completed by: Eldred Taylor-Camara, Legal Group Manager Telephone and email: 0208 227 3344 eldred.taylor-camara@lbbd.gov.uk

8.1. The Head of Audit Opinion, which derives from the annual assurance work undertaken, is a key component on the Annual Governance Statement which is a statutory requirement to accompany the Annual Accounts.

9. Other Implications
Risk Management

9.1. Internal Audit assurance is a key component in the Annual Governance Statement. Inadequate or inappropriate coverage may result in the Head of Audit opinion being based on insufficient information. This risk has been mitigated through the robust approach taken to develop the Audit Plan.
INTERNAL AUDIT TERMS OF REFERENCE

Purpose
The Internal Audit Terms of Reference sets out the nature, role, responsibility, status and authority of Internal Audit within the Authority and to outline the scope of internal audit work.

The Terms of reference are reviewed, updated as required, and reported to the Public Accounts & Audit Select Committee (PAASC) for consideration annually.

For clarity, to align with Public Sector Internal Audit Standards (PSIAS), Senior Management is defined as the Corporate Management Team and the ‘Board’ as PAASC in its role as Audit Committee.

Internal Audit
The main role of Internal Audit, as defined by the PSIAS is that of “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”.

The work of Internal Audit in discharging the above remit is focused toward, and culminates each year, in the provision of the Head of Internal Audit’s opinion on the internal control arrangements.

The scope of Internal Audit allows for unrestricted coverage of the Council’s activities and unrestricted access to all records and assets deemed necessary in the course of audit activity.

CIPFA have further produced a statement on the role of the Head of Internal Audit, setting out 5 key principles for delivering an effective internal audit function. Each of these 5 principles is underpinned by expected governance arrangements, core Head of Internal Audit responsibilities and personal and professional standards expected of the postholder.

Responsibilities and Objectives of Internal Audit
The main objective of Internal Audit is to support the Corporate Director of Finance & Resources in discharge of their “Proper Officer” duties as Section 151 officer, primarily in maintaining an adequate and effective internal audit of its accounting records and systems of internal control in accordance with the Accounts & Audit Regulations 2011. In terms of best practice, Internal Audit provides a high quality, independent service to the Council, which provides annual assurances in relation to internal controls and overall governance arrangements. In addition to its primary assurance role, Internal Audit will also:-
• Lead in the production of the Authority’s Annual Governance Statement (AGS) as part of the Annual Accounts process.
• Provide support and advice to help management meet its responsibility to establish and maintain internal control systems and properly manage risks.
• Investigate any allegations of fraud or irregularity and promote a corporate culture of honesty, openness and opposition to fraud and corruption.
• Provide a Housing Investigation service.
• Advise on internal control implications of new systems.
• Maintain effective co-operation and working arrangements with External Audit and any other relevant review bodies.

The above objectives supports the Council achieve its objectives, primarily supporting the key priority of ‘a well run organisation’.

Organisational Independence, Status and Accountability

In terms of the PSIAS, the status of Internal Audit enables it to function effectively, with recognition of the independence of Internal Audit fundamental to its effectiveness. To this end audit is independent from the activities that it audits. This enables Internal Audit to form impartial and effective judgements in audit recommendations and opinions on the control environment. Internal Auditors have no operational responsibilities and thus are not required to manage or deliver non-audit activities.

In terms of accountability and independence, the Head of Audit reports to the Public Accounts and Audit Select Committee (PAASC). In this context reporting means PAASC will:-
• Consider the audit terms of reference and strategy.
• Approve the Internal Audit annual audit plan.
• Receive reports from the Head of Audit on the result of Internal Audit activity or other matters the Head of Audit determines necessary.
• Monitor the performance of the audit section in delivery of the audit plan
• Monitor the implementation of recommendations by management.

Accordingly, Internal Audit has sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with senior management of the organisation. This is set out under Reporting Lines and Relationships below.

Reporting Lines and Relationships

Internal Audit is within the Finance & Resources Directorate and the Head of Internal Audit reports to the Corporate Director of Finance & Resources. The Head of Audit has freedom of reporting access without fear or favour to all relevant Members and Officers. This includes, but is not limited to, the Divisional Director of Legal and Democratic Services (as the Councils appointed Monitoring Officer), the Chief Executive, the Chair and Members of the Public Accounts & Audit Select Committee, Members of the Executive and External Audit.
The normal line of reporting for planned audit reports is to the appropriate Divisional Director. PAASC receives summaries of the reports and agreed actions, although the Committee can request to see specific full reports.

Internal Audit Remit
The scope of Internal Audit’s remit includes the authority's entire control environment for achieving its objectives, including risk management, internal control and governance.

The scope of audit work also extends to services provided through partnership arrangements via oversight of client monitoring arrangements. The Head of Audit should decide how best to derive the required assurance – either through internal audit staff or through assurances provided by others. Where necessary Management agree appropriate access rights in order for assurance to be obtained.

Provision of Internal Audit Opinion & Internal Audit’s contribution to the review of effectiveness of internal control and the compilation of the Annual Governance Statement
Internal Audit provides individual assurances and an annual overall opinion of the internal control environment based on the results of audit work conducted. This annual opinion is reported to PAASC and forms an important part of the formation of the Annual Governance Statement.

Rights of Access
In accordance with the Financial Rules which form part of the Council’s constitution, the Head of Audit and all audit staff shall have authority to: -

- enter at all reasonable times into Council operational premises or onto Council land,
- have access to all records, documents and correspondence relating to any financial or other transactions of the Council,
- require such explanations as are necessary concerning any matter under examination, and
- require any employee of the Council to produce cash, stores or any other Council property under their control.

Internal Audit will ensure confidentiality and safekeeping of all records and information accessed in the course of its work.

Internal Audit Resources
The Internal Audit service is provided via a combination of in-house staff and externally procured audit experts. The Head of Audit is responsible for ensuring that Internal Audit Service resources are sufficient to meet its responsibilities and achieve its objectives.

If the Head of Audit, or the PAASC, considers that the level of audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with its statutory and related requirements, they should advise the Council accordingly. Nonetheless, the Internal Audit Service has finite resources and its workforce is therefore to be deployed to meet an Annual Audit Plan that pays regard to the relative risks accepted, and levels of assurance given to the Council.

**Fraud and Corruption**
Managing the risk of fraud and corruption is the responsibility of management. Management is also responsible for developing, implementing and maintaining systems of internal control to guard against fraud or irregularity and ensure probity in systems and operations. Internal Audit will assist management by reviewing the controls and procedures in place.

Audit procedures alone cannot guarantee that fraud and corruption will be detected, nor does Internal Audit have the responsibility for prevention and detection of fraud. However, individual Auditors will be alert in their work to risks and exposures that could allow a fraud, irregularity or corrupt practice to take place.

Financial Rules lay out the responsibilities of Officers in relation to any suspicion of fraud or irregularity. The role of Internal Audit is to fully investigate any suspicion of fraud, irregularity or corrupt practice, report to management and those charged with governance and to liaise, where appropriate, with the Police Authorities.

**Consultancy Work**
Internal Audit may be asked by clients to conduct consultancy work. Acceptance of the assignment will be dependant on available resources, the nature of the assignment and any potential impacts on assurances.

The role of Internal Audit in a consultancy assignment is to provide advice, facilitation and support to management who retain the responsibility for the ultimate decisions taken within the area under review.

Any subsequent assurance work in areas where consultancy support has been provided will be scrutinised by Senior Management to avoid potential conflicts of interest.
INTERNAL AUDIT STRATEGY

Internal Audit Objectives & Outcomes
As set out in Audit’s Terms of Reference, the main objective of Internal Audit is to meet the Accounts & Audit Regulations 2011 requirements and to provide an independent, objective assurance activity seeking to add value and improve operations and to help the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Where appropriate, and without jeopardising the main objective, audit skill and knowledge will be utilised on consultancy-type work, planned to primarily meet management rather than purely assurance need, to strengthen internal control, risk management and governance areas through analysis and evaluation of situations and development of potential solutions to problems.

How the Head of Internal Audit will form and evidence their opinion on the control environment to support the Annual Governance Statement and identify and address significant local and national issues and risks
The work of Internal Audit will be structured within an approved Annual Audit Plan. The annual plan will be compiled prior to commencement of each financial year, and reviewed periodically to reflect any changing priorities.

A methodology will be adopted and detailed as part of the Annual Plan Report which will utilise risk-based and intelligence led techniques, incorporating key stakeholders views, to develop a plan which focuses on the key issues to enable reasonable but not absolute assurance of adequacy and effectiveness of the control environment.

A number of factors will be taken into account when formulating the Annual Audit Plan, including:
- The level of available resources;
- Inclusion of key financial system audits to support the External Audit of Accounts;
- The reliance that can be placed on the Council’s own risk management and governance systems;
- The need to support management beyond pure assurance activity;
- The need to include provision for non-assurance activity e.g. Grant Certification, follow up of implementation of recommendations, corporate activities;
- The reliance that can be placed upon other assurance activities;
- Inclusion of a programme of school audits.

Resources & Skills
As set out in the Terms of reference, a mix of in-house and externally provided resources are in place to ensure appropriate local knowledge is retained and
solid on going working relationships with the rest of the Council maintained, supported by the ability to commission specialist resource where required. In-house skills are refreshed, in line with best practice through such bodies as CIPFA's Better Governance Forum and the London Audit Group, with appropriate training as identified through the Council's appraisal process and Continuing Professional Development of qualified staff.

**Reporting**

Reporting on audit findings from internal audit work and the recommendations arising will normally be in writing, to the appropriate Divisional Director.

A report will be issued for each discrete audit undertaken, and will give an overall assurance opinion – Full, Substantial, Limited or No Assurance. Recommendations within reports will be ranked in order of priority (1-High, 2-Medium, 3-Low) depending on the relative risk identified.

Summary reports will be provided to Members of the Public Accounts & Audit Select Committee on a quarterly basis detailing, for example, key themes, emerging issues, report summaries and performance of internal audit in delivery of its service and management's performance in implementing recommendations.

Periodic updates will also be provided to Corporate Directors and CMT

**Quality Assurance**

Quality will be assured by adherence to professional auditing standards set out in the Section's Internal Audit Manual, based on the Public Sector Internal Audit Standards and through supervision by senior audit staff. Appropriate Performance Indicators will be maintained and periodically reported to Members of the Public Accounts & Audit Select Committee.

In accordance with the Accounts & Audit Regulations 2011, an annual review of internal audit against professional standards will be undertaken.

The Council’s external auditors maintain an overview of the effectiveness of Internal Audit.
INTERNAL AUDIT PLAN

2013/14

March 2013
INTRODUCTION

The purpose of this document is to provide the 2013/14 Internal Audit Plan for the organisation based upon an assessment of the organisation’s risk based audit needs and produced in accordance with the Audit Strategy.

BACKGROUND

The Audit Plan focuses on supporting delivery of the Council’s Priorities and Plans through providing assurance on, and championing, the underlying governance, risk management and internal control frameworks. This assurance is reported in the form of the Head of Audit Annual Opinion. In arriving at the opinion, the Head of Audit also places reliance on other assurance activities and the governance framework & management processes in place.
<table>
<thead>
<tr>
<th>Area</th>
<th>Scope</th>
<th>Days</th>
<th>Link to Corporate Risk</th>
<th>Audit Type (Note 1)</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit</strong></td>
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<tr>
<td><strong>Core Financial Systems</strong></td>
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<tr>
<td>Managed Audits</td>
<td>Core Financial Systems covering:</td>
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<td>Housing Benefits</td>
<td>15</td>
<td>Budget</td>
<td>Systems</td>
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<tr>
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<td>General Ledger</td>
<td>15</td>
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<td>Cash Receipting &amp; Bank Reconciliations</td>
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<td></td>
<td>General Income</td>
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<td>Pensions Administration</td>
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<td>Housing Rents</td>
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<td>Council Tax</td>
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<td>Accounts Payable</td>
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<td></td>
<td>Payroll</td>
<td>15</td>
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<td></td>
<td>National Non-Domestic Rates</td>
<td>15</td>
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<td>Right To Buy</td>
<td>10</td>
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<tr>
<td></td>
<td>* Systems to be upgraded in 13/14 as part of implementation of Oracle R12</td>
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<tr>
<td><strong>Corporate Reviews</strong></td>
<td></td>
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<tr>
<td>Shared Services Governance Arrangements</td>
<td>Review of operational governance considerations of shared service arrangements</td>
<td>20</td>
<td>Shared Services</td>
<td>Risk</td>
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<td>Policy Framework</td>
<td>Review of arrangements for the maintenance of policy frameworks</td>
<td>20</td>
<td>Compliance</td>
<td>Risk</td>
<td>Medium</td>
</tr>
<tr>
<td>Risk Management</td>
<td>Review of target/actual ratings and risk area changes to ensure adequacy of supporting evidence</td>
<td>15</td>
<td>All</td>
<td>Risk</td>
<td>High</td>
</tr>
<tr>
<td>Area</td>
<td>Scope</td>
<td>Days</td>
<td>Link to Corporate Risk</td>
<td>Audit Type (Note 1)</td>
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<tr>
<td>Service Based Reviews</td>
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</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>Review of systems and processes for the service brought back in-house from April 2013</td>
<td>30</td>
<td>N/A</td>
<td>Risk</td>
<td>High</td>
</tr>
<tr>
<td>Data Quality – Adult Services Returns</td>
<td>‘Data Quality’ type review to ensure the robustness of data collection and reporting</td>
<td>30</td>
<td>Information Assurance</td>
<td>System</td>
<td>High</td>
</tr>
<tr>
<td>Social Fund</td>
<td>Review of new contract arrangements put in place to administer Social Fund payments which will be administered locally from 1 April 2013</td>
<td>15</td>
<td>N/A</td>
<td>Risk</td>
<td>Medium</td>
</tr>
<tr>
<td>Personal Assistants as alternative to Home Care Agencies</td>
<td>Review of arrangements to improve choice for personalisation clients, by strengthening the market for Personal Assistants and ensuring the quality of care &amp; protection of vulnerable groups.</td>
<td>20</td>
<td>Safe Guarding</td>
<td>Risk</td>
<td>High</td>
</tr>
<tr>
<td>Public Health</td>
<td>Follow up to audit work undertaken during transition phase</td>
<td>10</td>
<td>Public Health</td>
<td>Risk</td>
<td>High</td>
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<tr>
<td>Elevate Assurance</td>
<td>Review of assurance arrangements in place for Elevate</td>
<td>20</td>
<td>Contracts</td>
<td>Risk</td>
<td>High</td>
</tr>
<tr>
<td>More Choice In Lettings Policy</td>
<td>Review of Policy which is due to be refreshed in 13/14 as part of the Localism Act</td>
<td>30</td>
<td>Strategic Housing issues</td>
<td>System</td>
<td>High</td>
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<tr>
<td>Affordable Housing Grant Scheme</td>
<td>Review of the supporting paperwork</td>
<td>10</td>
<td>Funding of Capital Programme</td>
<td>System</td>
<td>Medium</td>
</tr>
<tr>
<td>B &amp; D Reside</td>
<td>Review of new procedures for income collection</td>
<td>15</td>
<td>Strategic Housing Issues</td>
<td>Risk</td>
<td>High</td>
</tr>
<tr>
<td>‘Minor’ Capital Schemes</td>
<td>Project approval and monitoring for Capital</td>
<td>25</td>
<td>N/A</td>
<td>System</td>
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</tr>
<tr>
<td>Area</td>
<td>Scope</td>
<td>Days</td>
<td>Link to Corporate Risk</td>
<td>Audit Type (Note 1)</td>
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<tr>
<td>Credit Card Rejections</td>
<td>Review the system for dealing with credit card payments</td>
<td>10</td>
<td>N/A</td>
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<td>Insurance</td>
<td>Review the procedures for dealing with, and mitigation of values and number of, insurance claims</td>
<td>20</td>
<td>N/A</td>
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<tr>
<td>Social Care Training and Development</td>
<td>Review of Procedures in place</td>
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<td>N/A</td>
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<tr>
<td>Just Say Parents Forum</td>
<td>Review of the working arrangements of the borough wide forum for parents of children and young people with additional needs and disabilities.</td>
<td>10</td>
<td>N/A</td>
<td>Risk</td>
<td>Medium</td>
</tr>
<tr>
<td>Children’s Services Complaints Processes</td>
<td>Review of revised arrangements for Children’s Social Care complaints</td>
<td>15</td>
<td>N/A</td>
<td>Risk</td>
<td>Medium</td>
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<tr>
<td>Connexions/NEET recording (14-19)</td>
<td>‘Data Quality’ type review to ensure the robustness of data collection</td>
<td>15</td>
<td>Information Assurance</td>
<td>Risk</td>
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<td>Compliance</td>
<td>Transaction testing to ensure compliance with basic systems</td>
<td>65</td>
<td>Compliance</td>
<td>Compliance</td>
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<tr>
<td></td>
<td>• Purchase Cards</td>
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<td></td>
<td>• Fuel Usage</td>
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<td></td>
<td>• Use of Agency Staff</td>
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<td></td>
<td>• Annual/Flexi Leave</td>
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<tr>
<td>Grant Claims:</td>
<td>Sign off/review as required by Head of Audit</td>
<td>5</td>
<td>N/A</td>
<td>Statutory</td>
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<tr>
<td>Schools/Establishment Visits</td>
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<tr>
<td>Schools</td>
<td>Probity Reviews – incorporating provisions of the Schools Financial Value Standard.</td>
<td>95</td>
<td>N/A</td>
<td>Systems</td>
<td>High</td>
</tr>
<tr>
<td>Area</td>
<td>Scope</td>
<td>Days</td>
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<tr>
<td>Prior Year Report Completion</td>
<td>Completion of 2012/13 Audit Programme beyond 31/03/13</td>
<td>30</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Annual Governance Statement</td>
<td>Co-ordination of process of compilation of Annual Governance Statement and in year monitoring of actions arising</td>
<td>5</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
| Consultancy Work                | Support management during implementation phase as required to advise on control issues and risk mitigation  
  • Oracle R12  
  • Repairs & Maintenance | 10   | N/A                    | Advice              | N/A      |
<p>| Support and Advice              | Committee Support, client management of audit contract and responding to ad hoc requests | 15   | N/A                    | Advice              | N/A      |
| Management Time, Follow Ups &amp; Contingency | Management time of audit contractor (e.g. liaison meetings, supporting PAASC etc). Contingency for ad hoc audit reviews. Follow up work to ensure implementation of recommendations | 80   | N/A                    | Follow Up           | N/A      |
| Preventative/proactive Activities | Raise awareness of Internal Audit Services/Share Best Practice on internal control practices using website/E-learning modules | 5    | Compliance             | N/A                 | N/A      |
| <strong>TOTAL AUDIT DAYS</strong>             |                                                                       | <strong>800</strong> |                  |                     |          |</p>
<table>
<thead>
<tr>
<th>Note 1 - Key to Audit Type:</th>
</tr>
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<tbody>
<tr>
<td>Risk</td>
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<td>Systems</td>
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<td>Compliance</td>
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<td>Statutory</td>
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<tr>
<td>Follow Up</td>
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<td>Advice</td>
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<td>8)</td>
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</table>

**END OF MUNICIPAL YEAR**
## Public Accounts and Audit Select Committee

### 26 June 2013

<table>
<thead>
<tr>
<th>No.</th>
<th>Business Items</th>
<th>Officer.</th>
<th>Description / Notes</th>
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<tbody>
<tr>
<td>1)</td>
<td>Year End Audit Outturn</td>
<td>David Greenfield</td>
<td>Officer request (24/05/12)</td>
</tr>
<tr>
<td>2)</td>
<td>Draft Annual Governance Statement</td>
<td>David Greenfield</td>
<td>Officer request (24/05/12)</td>
</tr>
<tr>
<td>3)</td>
<td>Quarter Four Risk Management and RM Framework</td>
<td>Sharon Roots</td>
<td>Officer request (24/05/12)</td>
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<td>4)</td>
<td>Year End Insurance Update</td>
<td>Sharon Roots</td>
<td>Officer request (24/05/12)</td>
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<td>5)</td>
<td>Draft Statement of Accounts</td>
<td>Kathy Freeman</td>
<td>Officer request (07/06/12)</td>
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