

Progress Report

June 2009

Brent London Borough

Audit 2008/09

Audit Committee 18 June

(updated for Agenda papers 8 June 2009)

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Summary

Introduction

- 1 The purpose of this progress report is to brief the Audit Committee on work currently being planned or undertaken by the Audit Commission.

Audit Progress 2008/09

- 2 We agreed the 2008/09 Audit and Inspection Plan with officers in April 2008 and presented it to the Audit Committee in June 2008. Appendix 1 summarises the progress of audit work to be completed in 2008/09.
- 3 Our 2008/09 audit is progressing well, we have continued to maintain regular communication with the finance team to identify and resolve potential issues early. We have issued our supplementary opinion plan (a copy is included in the audit papers for the Audit Committee's attention).
- 4 We have substantially completed our interim audit which involved updating our understanding of the Council's control environment, updating our documentation of the key financial systems and testing the key controls within those systems (covering all systems over a three year cycle). For the latter, we have been able to place reliance on the work performed by the Authority's internal audit service.
- 5 In respect of Use of Resources, we reported our 2008 Use of Resources assessment in March 2009 as part of the Annual Audit and Inspection Letter. We have liaised with officers to highlight the key changes in the new approach for 2009 and to support the preparation of the Council's voluntary self-assessment. We have started our work on this assessment and will report our findings to the Audit Committee later in the year.

Assurances from the Audit Committee

In order to comply with International Standard on Auditing (UK&I) 240, we are required to obtain an understanding of how those charged with governance, the Audit Committee, exercises oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council. Under International Standard on Auditing (ISA (UK&I) 250), we are also required to understand how those charged with governance gain assurance that the Council has complied with all relevant laws and regulations.

We will shortly be writing to the Chair of the Audit Committee requesting details as to how these functions are discharged. A copy of the standard letter is attached at Appendix 2.

Inspection progress

- 6 We have delivered the inspection work included in the 2008/09 Annual Audit and Inspection Plan. The final CPA score and Direction of Travel report were included in the 2008 Annual Audit and Inspection Letter which was presented to the Executive at its 16 March 2009 meeting.

2009/10 Audit Plan

- 7 As part of our initial 2009/10 planning, we have had discussions with officers on the issues that may impact on our work for that year. In previous years at this stage of the year, we have prepared and agreed with officers a detailed external audit plan for the forthcoming financial year. From 2009/10, the Audit Commission has decided that there will be no requirement to issue a detailed audit plan in the spring.
- 8 Instead, Andrea White, your District Auditor wrote setting out the proposed fee covering all work related to the 2009/10 audit, including final accounts and use of resources. This will be followed up with a detailed plan for the opinion audit later in the year and detailed specifications for specific use of resources projects. There is a separate letter covering the pension fund audit.
- 9 Annette Furley, your Comprehensive Area Assessment Lead (CAAL) also wrote to the Council setting out the assessment and inspection work to be carried out between 1 April 2009 and 31 March 2010. These initial fee letters are attached at Appendix 3.
- 10 The key elements of the plan to bring to the Committee's attention are:
- our work covers the new approach to the use of resources assessment, three specific pieces of risk-based value for money work covering the key risks of the economic downturn, treasury management and the implementation of the new organisation model;
 - the fee shows a 4 per cent increase overall on 2008/09,
 - the indicative fee for our work is 7% above the Audit Commission's scale fee.

Recent Audit Commission publications

- 11 In March 2009, the Audit Commission launched the inaugural edition of Councillors' Update.
- 12 This e-mailed newsletter aims to keep councillors up to date with the Commission's current work, such as CAA, national reports and studies. News stories containing details of specific tools and case studies will direct councillors to information that they can use in their work.
- 13 The first issue includes details of Comprehensive Performance Assessment and CAA and brief summaries of the most recent Commission reports that the Audit Commission thinks councillors would find useful in their work.

Summary

- 14 If you have not automatically received your copy of Councillors' Update, please subscribe via the following link:

[Councillor Update newsletter - Audit Commission](#)

Appendix 1 – Key Deliverables

Table 1 Progress on Key Deliverables

Product	Timing	Current position
Planning		
Audit Plan	January 2008- March 2008	Plan presented to Audit Committee in September 2007.
Opinion		
Work on financial systems	January 2008 – June 2009	Planning being undertaken and fieldwork has commenced
Financial statements; <ul style="list-style-type: none"> • opinion; • Annual Governance Report; and • opinion memorandum 	July - September 2009	
Use of Resources		
Health Inequalities phase 1 phase 2	May 2009 October 2009	Final report issued Set up meeting in July 2009
Data Quality	July 2008 - November 2008	Completed and report issued December 2008.
Value for money conclusion	June 2009 to September 2009	
Use of resource judgements	August - November 2008	Use of Resources scores issued.
Inspection		
Direction of Travel	October 2008- January 2009	Work completed and Direction of Travel wording and scores issued 15 January 2009.
Reporting		
Annual Audit and Inspection Letter	February - March 2010	Discussed with CE and being finalised.

Appendix 2 – Assurances from Audit Committee

Compliance with International Auditing Standards

This is a request for your assistance as Chair of the Audit Committee with our current work on the Council's accounts for 2008/09.

In order to comply with International Standard on Auditing (UK&I) 240, we are required to obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council. I should be grateful if you would confirm:

- (i) how the Audit Committee oversees management processes to identify and respond to such risks, and
- (ii) whether you have knowledge of any actual, suspected or alleged frauds affecting the Council.

Management's processes may include:

- undertaking an assessment of the risk that the financial statements may be materially mis-stated due to fraud;
- identifying and responding to risks of fraud in the organisation;
- communication to employees of views on business practice and ethical behaviour; and
- communication to those charged with governance the processes for identifying and responding to fraud.

A second International Standard on Auditing (ISA(UK&I)250) requires that auditors understand how those charged with governance gain assurance that all relevant laws and regulations have been complied with.

A brief response by letter (or e-mail), by 30 June 2009 will suffice. Please call me if you wish to discuss anything in relation to this request.

Yours sincerely

Andrea White
District Auditor

Appendix 3 – 09/10 Fee Letters

Our reference LR-270409

27 April 2009

Mr Gareth Daniel
Chief Executive
London Borough of Brent
Brent Town Hall
Forty Lane
Wembley, Middlesex
HA9 9HD

Direct line
Email

0844 798 5784
a-white@audit-
commission.gov.uk

Dear Mr Daniel

Annual audit fee 2009/10

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at London Borough of Brent. The fee:

- is 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 for 2009/10; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Lead will be writing to you separately on inspection fees.

As I have not yet completed my audit for 2008/09 the audit planning process for 2009/10, including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary.

The total indicative fee for the audit for 2009/10 is for £460,000 (exclusive of VAT) which compares to the planned fee of £441,500 for 2008/09. A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2009/10 £	Planned fee 2008/09 £
Financial statements	324,000	302,900
Use of Resources/VFM Conclusion (including risk based work)	123,000	124,000
WGA	13,000	14,600
Total audit fee	460,000	441,500
Certification of claims and returns	85,000	100,000

The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for London Borough of Brent is £430,000. The fee proposed for 2009/10 is 7 per cent above the scale fee. This is due to the Council’s highly devolved financial systems and the additional audit work required to update our understanding of the systems and test the related controls.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2008/09. A separate plan for the audit of the financial statements will be issued in March 2010. This will detail the risks identified, planned audit procedures and any changes in fee. The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Director of Finance and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit committee.

My use of resources assessments will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission’s work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. However, I have identified a number of significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below:

Risk	Planned work	Timing of work
As part of 'Brent Improvement and Efficiency strategy 2008-2012' the Council is reviewing a number of areas to improve its services and maximise performance. There is a risk that improvement and efficiency savings will not be achieved.	We will review the revised arrangements the Council puts in place to achieve improvements and efficiency savings.	November 2009- March 2010
<p>The economic climate gives rise to a number of business risks. These will impact the Council's ability to manage its resources, maintain governance arrangements and properly respond to changes in service requirements.</p> <p>These areas directly impact our audit responsibilities in relation to both the audit of the financial statements and value for money work.</p>	We will review the impact of the Council's response to the economic climate, as part of our work on use of resources, the organisational assessment and our audit of the financial statements.	April 2009 – March 2010
We undertook a review of the Council's performance management arrangements and an action plan was agreed with the Council.	We will follow up the implementation of the agreed action plan. This will inform our work on Use of Resources.	June 2009 – September 2009
We undertook a review of the Council's human resource arrangements and an action plan was agreed with the Council. Skills and development are a key element of the Council's transformation agenda.	We will follow up the implementation of the agreed action plan. This will inform our work on Use of Resources.	December 2009 – March 2010

I will issue a separate project specification for the regeneration and major projects review before beginning the work.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

Appendix 3 – 09/10 Fee Letters

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2009/10 are:

District Auditor – Andrea White 0844 798 5784

Senior Audit Manager – Shahida Nasim 0844 798 2885

Audit Manager – Kemi Oluwole 07833 742 823

I am 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 me in the first instance. Alternatively you may wish to contact the London Region Head of Operations, Les Kidner at l-kidner@audit-commission.gov.uk.

Yours sincerely

Andrea White
District Auditor

cc Duncan McLeod, Director of Finance
 Councillor Cummins, Chair of the Audit Committee
 Shahida Nasim, Senior Audit Manager

Appendix 3 – 09/10 Fee Letters

The key members of the audit team for the 2009/10 are:

District Auditor – Andrea White 0844 798 5784

Senior Audit Manager – Shahida Nasim 0844 798 2885

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Yours sincerely

Andrea White
District Auditor

cc Duncan McLeod, Director of Finance
 Councillor Cummins, Chair of the Audit Committee
 Shahida Nasim, Senior Audit Manager

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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