



## Audit Committee

**Thursday, 16 December 2010 at 7.30 pm**  
Committee Room 4, Brent Town Hall, Forty Lane,  
Wembley, HA9 9HD

### Membership:

#### Members

Councillors:

Al-Ebadi (Chair)  
Ashraf  
Van Kalwala

#### first alternates

Councillors:

Beckman  
Green  
Harrison

#### Second alternates

Councillors:

S Choudhary  
Cummins  
Hector

**For further information contact:** Anne Reid, Democratic Services Officer  
020 8937 1359, [anne.reid@brent.gov.uk](mailto:anne.reid@brent.gov.uk)

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**The press and public are welcome to attend this meeting**

# Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

| Item  | Page  |
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| <b>1 Declarations of personal and prejudicial interests</b>   |   |
| Members are invited to declare, at this stage of the meeting, any relevant financial or other interest in the items on this agenda. |   |
| <b>2 Deputations</b>  |   |
| <b>3 Minutes of the previous meeting</b>  | 1 - 8   |
| <b>4 Matters arising</b>  |   |
| <b>5 Annual Audit Letter</b>  | 9 - 36  |
| This report introduces the Annual Audit Letter from the council's external auditors, the Audit Commission.                          |   |
| <b>Ward affected:</b>   | <b>Contact Officer:</b> Simon Lane, Audit and Investigations                                    |
| All Wards   | Tel: 020 8937 1260 <a href="mailto:simon.lane@brent.gov.uk">simon.lane@brent.gov.uk</a>         |
| <b>6 Monitoring report on treasury management</b>   | 37 - 40   |
| This report details treasury management activity for 2010/11.   |   |
| <b>Ward affected:</b>   | <b>Contact Officer:</b> Martin Spriggs, Exchequer and Investment                                |
| All Wards   | Tel: 020 8937 1472 <a href="mailto:martin.spriggs@brent.gov.uk">martin.spriggs@brent.gov.uk</a> |
| <b>7 Second Internal Audit progress report</b>  | 41 - 108  |
| This report sets out a summary of the work of Internal Audit for the period   |   |

1 April 2010 to 30 November 2010. The attached report provides details of progress, together with the assurance ratings and priority 1 recommendations for those audits which have been finalised since the last report to this committee.

**Ward affected:**                      **Contact Officer:** Simon Lane, Audit and Investigations

All Wards                                      Tel: 020 8937 1260 [simon.lane@brent.gov.uk](mailto:simon.lane@brent.gov.uk)

**8      Regulation of Investigatory Powers Act 2000 - review of the use of surveillance and CHIS      109 - 114**

The purpose of this report is to advise members on the council's use of covert surveillance and covert human intelligence sources (CHIS) for 2009/10 and the period April 2010 to November 2010. The report also seeks approval for the council's policies on the use of these techniques.

**Ward affected:**                      **Contact Officer:** Simon Lane, Audit and Investigations

All Wards                                      Tel: 020 8937 1260 [simon.lane@brent.gov.uk](mailto:simon.lane@brent.gov.uk)

**9      Any other urgent business**

Notice of items to be raised under this heading must be given in writing to the Democratic Services Manager or his representative before the meeting in accordance with Standing Order 64.

**10     Date of next meeting**

The next scheduled meeting of the Audit Committee is scheduled to be held on 22 February 2011.



- Please remember to **SWITCH OFF** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public.
  - Toilets are available on the second floor.
  - Catering facilities can be found on the first floor near The Paul Daisley Hall.
  - A public telephone is located in the foyer on the ground floor, opposite the Porters' Lodge

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## LONDON BOROUGH OF BRENT

### MINUTES OF THE AUDIT COMMITTEE Wednesday, 29 September 2010 at 7.30 pm

PRESENT: Councillor Al-Ebadi (Chair) and Councillors Cummins (alternate for Councillor Ashraf) and Van Kalwala.

An apology of absence was received from: Councillor Ashraf

#### 1. **Declarations of personal and prejudicial interests**

None declared.

#### 2. **Minutes of the previous meeting held on 15 June 2010**

RESOLVED:-

that the minutes of the previous meeting held on 15 June 2010 be approved as an accurate record of the meeting.

#### 3. **Matters arising**

None.

#### 4. **Statement of Accounts 2009/10 Annual Governance Report**

Duncan McLeod (Director of Finance and Corporate Resources) gave a brief introduction to the report, explaining that although the accounts had been approved by the General Purposes Committee on 29 June 2010, the Audit Committee's role involved responsibility for reviewing the annual statement of accounts to ensure that appropriate accounting policies had been followed and where necessary, concerns arising from the financial statements or from the audit are brought to the attention of the council. Members noted that the Audit Commission were in the process of completing the audit of 2009/10 accounts and the committee was requested to respond to an action plan put together by the Audit Commission.

Andrea White (District Auditor, Audit Commission) then addressed the committee and advised that work had continued on the Annual Governance report since the draft version provided to Members and that it was almost complete. Members noted that one final check was required to ensure the necessary changes to the account was needed and the unqualified opinion would be submitted on 30 September. Andrea White stated that overall the council's papers were sound with just a few issues of some concern. Members heard that because of slow or incomplete responses to requests for working papers from Adult Social Care and

Housing, the additional work required by the Audit Commission in these areas meant that the audit fee would increase by £15,000. The committee noted that there had been difficulties in respect of schools bank accounts and payrolls and an update concerning their assurances would be included in the final report that would be sent to Members to approve.

Paul Viljoen (Audit Commission) commented that additional work had been required on the Housing PFI following queries raised and revised accounting entries were awaited. He confirmed that the council had corrected entries in respect of £12.7m of bad debt write offs and the query with regard to £200,000 of expenditure for repairs had now been resolved. The issue with regard to the Willesden Leisure Centre PFI remained under review and would be subject the council's own revaluation of the property.

Paul Viljoen then referred to the Annual Governance report in respect of the council's pension fund. He confirmed that the review of the Pension Fund annual report had been completed, however £3,000 was to be added to the audit fee based on additional work to resolve issues and to follow up matters where working papers were not complete. Members noted that errors in relation to investment values had now been amended in the financial statements.

During Members' discussion, Councillor Cummins sought assurances that inadequate working papers or late responses would not recur, especially as it resulted in additional charges for the council and whether the internal audit programme needed to be accelerated. He also enquired whether problems experienced were due to the introduction of a new Finance Management System. Councillor Cummins suggested that an external pension fund adviser be appointed to advise the Audit Committee and the Brent Pension Fund Sub-Committee on such matters. The Chair concurred with this suggestion, stating that this had already been agreed but needed to be acted upon. The Chair enquired whether sufficient responses had been provided to the Audit Commission in respect of issues concerning Adult Social Care and Housing. He also enquired whether there had been any response in respect of the 20 day period for statutory inspection of accounts. Councillor Van Kalwala asked what significance were the problems concerning Adult Social care and school bank accounts and payrolls and whether the introduction of the new council wide Financial Management System would provide longer term benefits.

In reply, Andrea White confirmed that the appropriate working papers had now been received in respect of Adult Social Care, Housing and Schools bank accounts and payrolls. However, she felt there was room for improvement in Adult Social Care and Housing and advised that work needed to be undertaken to show a clear audit trail for each individual transaction. Andrea White felt that the new financial system would help to improve tracking transactions.

Duncan McLeod advised that the unqualified audit opinion needed to be signed by the Chair of the Audit Committee, Clive Heaphy (incoming Director of Finance and Corporate Resources) and himself by the deadline of 30 September and the revised Annual Governance report would be circulated to Members on the same day. Duncan McLeod explained that under the new Financial Management System, all reporting on such matters needed approval by the Director of Finance and Corporate Resources, thus allowing him more direct control. However, the

problems experienced related to the 2009/10 accounts and could not be attributed to the introduction of the new Financial Management System. Duncan McLeod advised that the Brent Pension Fund Sub-Committee had no comments to pass to the Audit Committee in respect of the pension fund. He felt that an independent pensions fund advisor was not necessary for the Audit Committee as the pension fund made up only a small part of the committee's work programme. It was noted that there had been no representations made from the public in respect of the statutory 20 day period for inspection of accounts.

Clive Heaphy added that consideration with regard to the audit next year was underway, and a new process would be trialled in December prior, which if successful, would be implemented. He advised that it was not necessary to accelerate the internal audit programme and Members noted that school headteachers would be sent letters stressing the need to respond in timely fashion to the Audit Commission's requests for paperwork. Clive Heaphy advised Members that adding an independent member to the Audit Committee was under consideration.

Members agreed to Councillor Van Kalwala's request that concerns with regard to Adult Social Care and Housing be brought to the attention of the Director of Housing and Community Care and Andrea White agreed to provide Members with a briefing note in respect of this.

RESOLVED:-

- (i) that the Annual Governance Reports from the Audit Commission and the letter of representations to the Audit Commission be noted; and
- (ii) that it be noted that the accounting policies were correctly followed and that no issues arising from the financial statements and the audit needed to be brought to the attention of Full Council.

**5. Audit Commission review of Council arrangements in respect of Copland School**

Duncan McLeod introduced the report which included the Audit Commission's review of the internal audit carried out in respect of Copland School. The Audit Commission had made a number of recommendations in respect of this and Duncan McLeod then referred to the council's responses to these as set out in the report.

Andrea White then presented the Audit Commission's report on the review of Council arrangements in respect of Copland School. Members were provided with the background to the Copland School case and the approach taken by the Audit Commission in reviewing arrangements. Andrea White then highlighted some of the weaknesses identified in the review, which included the fact that although there were checks to ensure compliance with council's scheme for financing schools, Copland School did not have satisfactory internal audit coverage and so this control had not worked in practice. However, once the council was alerted to Copland School's failings, it acted swiftly and decisively to ensure that those responsible were held to account and suitably replaced. Members noted the recommendations made by the Audit Commission in the report. Andrea White advised that the Audit

Commission were not issuing a public interest report as matters were already in the public domain. In addition, the council had recognised that its arrangements did not work effectively and was taking action to strengthen these arrangements.

Simon Lane added that as a foundation school, Copland School had chosen the option of being audited by an external provider rather than the council. All schools that had decided to use an external provider were provided with guidance as to what would be required of them. However, the external auditor for Copland School had failed to identify problems and Simon Lane acknowledged that the council had not monitored such schools as closely as they may have done. He advised that the recommendations of the Audit Commission had been taken on board and all foundation schools were now required to be audited internally.

During Members' discussion, Councillor Cummins, in acknowledging that all foundation schools were now internally audited, enquired whether problems at other schools had been identified and would such anomalies now be spotted more rapidly. Councillor Cummins also enquired about the possibility of asking schools to introduce a skills matrix when appointing governing body members to ensure that those appointed had the necessary skills with regard to auditing issues. Councillor Van Kalwala referred to paragraph 30 of the Audit Commission's report and suggested that the council should have requested a copy of the audit engagement letter or written reports produced by the external auditor in order to be able to check more thoroughly for any anomalies. He asked for timeframe details in respect of implementing the Audit Commission's recommendations.

The Chair enquired whether a record of Copland School's payroll was retained by the council and he suggested that the accountant for each school should receive training every six months.

In reply, Andrea White stated that she was content with the council's responses to the Audit Commission's recommendations and that it may be appropriate for an update on the council's progress in actioning these to be reported back to the committee in six months.

Simon Lane advised that all other foundation schools had since been written to with regard to staff payments and no other similar issues had come to light. He explained that because the bursar position was more junior than the headteacher at Copland School, it was more difficult to question staff payments, whilst the problem would have been identified much earlier if staff were on the council payroll. However it was noted that the council could not insist that school staff were paid through the council's payroll system. Although the council would have details of school salary costs, it would not have payroll details unless it also undertook an audit. Simon Lane referred to pages 68 and 69 of the report outlining the council's response to the recommendations and the timescale for each. He explained that a more robust approach was being taken to schools and training was also being provided to school staff, with a session arranged for headteachers and bursars on 14 October and audit issues were also being discussed with the Director of Children and Families. Simon Lane advised that the council was raising the issue of the inherent financial risks in respect of school academies with the Department for Education and the National Audit Office.



Clive Heaphy added that it was important that headteachers and bursars had sound financial awareness regarding their responsibilities and that the proper controls were in place to minimise the possibility of situations occurring like those at Copland School.

RESOLVED:-

that the report from the Audit Commission review of council arrangements in respect of Copland School report and the council's response to the Audit Commission's recommendations be noted.

## **6. Audit Commission documents**

Andrea White updated Members on other Audit Commission documents, including a high level review of the council's One Council project. Andrea White reported that good progress had been made and strong leadership and a highly visible champion for change had been demonstrated through the Chief Executive. Some concerns had been raised in respect of demonstrating how members played a role in scrutinising the project, the impact of shortening delivery timescales on capacity and how the financial implications of individual projects are being monitored.

Paul Viljoen advised that in respect of the joint review of the council and NHS Brent in respect of Health Inequalities, both organisations had shown a strong commitment to tackle health inequalities and demonstrated strong leadership. In addition, there had been a number of actions taken to tackle rising diabetes and Tuberculosis in Brent.

Andrea White also advised that the Audit Commission had revised the approach to value for money and an update on guidance would be provided at a future meeting. She confirmed that the Audit Commission was to be abolished as of 2012, however she would remain as the council's district auditor until this time, when subject to legislation, the council would appoint its own auditor. The committee, the Chief Executive and the Director of Finance and Corporate Resources would be updated of any further arrangements in respect of this.

RESOLVED:-

that the report on Audit Commission documents be noted.

## **7. Internal Audit terms of reference and strategy**

Simon Lane presented the report, stating that an Audit Terms of Reference was required by local authorities in accordance with the CIPFA Code of Practice on Internal Audit in the United Kingdom. The Code also requires the Head of Audit to produce an audit strategy outlining the objectives, outcomes and delivery methods which must be approved by the Audit Committee. The strategy proposed was set out over a two year period. Simon Lane then referred to internal audit terms of reference as set out in appendix one of the report.

RESOLVED:-

that the Terms of Reference and Strategy for Internal Audit be approved.

## 8. **Internal Audit progress report**

Simon Lane updated Members on progress with the internal audit and provided a summary of progress from 1 April to 31 August 2010. Members noted that as of end of August, a total of 331 days had been delivered against the overall plan, representing about 28% plan, although more had been completed since then. Simon Lane then drew Members' attention to the summary table of audited items. Whilst a number of items had obtained a substantial assurance opinion, there were a few achieving only limited assurance, such as Internal Financial Controls – Children and Families, which was of some concern.

During Members' discussion, Councillor Cummins enquired how far below the substantial assurance the Internal Financial Controls – Children and Families item was and how was this situation being addressed.

Simon Lane responded that in respect of the Internal Financial Controls – Children and Families, the five priority one recommendations made meant that there needed to be significant improvement. In particular, it was the importance rather than the number of issues raised that was cause for concern. It was noted that Children and Families had attached deadlines to carry out the recommendations and this would be followed up by the Audit Team. In addition, the anomalies had occurred prior to the Finance Modernisation project and it was anticipated that changes since then would indirectly benefit this item. In response to comments from Clive Heaphy, Simon Lane acknowledged that all cash and cheques needed to be stored in a locked safe and that an update in respect of the Ark Academy, where a response was yet to be received, would be provided to Members.

Phil Lawson (Deloitte) advised that there had been an improvement in the ratio of substantial to limited assurances since June 2010 from approximately 50%/50 % to 63%/37%.

RESOLVED:-

that the progress made in achieving the 2010/11 Internal Audit Plan be noted.

## 9. **2010 Treasury Annual report**

Duncan McLeod presented the report and advised Members that the lending list continued to remain very restrictive because of the economic circumstances. The list would continue to be reviewed subject to changing market conditions.

RESOLVED:-

that the 2010 Treasury Annual Report and recent treasury activity be noted.

## 10. **Date of next meeting**

It was noted that the next meeting was scheduled to take place on Thursday, 16 December 2010 at 7.30 pm.

11. **Any other urgent business**


*Duncan McLeod*

On behalf of Members, Councillor Cummins thanked Duncan McLeod for his contribution to the committee and the council overall and wished him well for the future upon leaving the council on 1 October.

The meeting closed at 9.00 pm

E AL-EBADI  
Chair

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|--|---|
|  <p>The logo of Brent Council, featuring a central coat of arms with a shield, a crown, and two lions, surrounded by the words 'BRENT COUNCIL' in a circular arrangement.</p> | <p><b>Audit Committee</b><br/>16 December 2010</p> <p><b>Report from the Director of<br/>Finance and Corporate Services</b></p> |
| <p>For Information <span style="float: right;">Wards affected:<br/>ALL</span></p>  |   |
| <p><b>Annual Audit Letter</b></p>  |   |

**1. Summary**

- 1.1. This report introduces the Annual Audit Letter from the council's external auditors, the Audit Commission.

**2. Recommendations**

- 2.1. The Audit Committee is asked to consider the document and note the council's response to the recommendations made as set out in appendix 2.

**3. Detail**

- 3.1. The annual audit letter is attached at appendix 1. The letter summarises the findings from the 2008/09 audit and includes issues arising from the audit of the financial statements and assesses the arrangements to secure value for money in Brent's use of resources. Officers from the Audit Commission will attend the meeting and present the letter.
- 3.2. There are four recommendations arising from the letter. These are set out in appendix 2 together with the council's response.

#### **4. Financial Implications**

4.1. The Audit Commission fees for carrying out this work are set out below:

| Item   | Actual £ | Proposed £ | Variance £ |
|--|----------|------------|------------|
| Financial statements and annual governance statement | 362,000  | 347,000    | 15,000     |
| Value for money                                      | 123,000  | 123,000    | 0          |
| Foundation School Arrangements                       | 12,500   | 0          | £12,500    |
| Certification of grant claims                        | Tbc      | 85,000     | tbc        |

#### **5. Legal Implications**

5.1. None.

#### **6. Diversity Implications**

6.1. None

#### **7. Background Papers**

7.1. None

#### **8. Contact Officer Details**

Simon Lane, Head of Audit & Investigations, Room 1, Town Hall Annexe.  
Telephone – 020 8937 1260

**Clive Heaphy**  
**Director of Finance and Corporate Services**

# Annual Audit Letter

London Borough of Brent

Audit 2009/10

DRAFT

**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.**



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| Qualified   | 20        |
| Unqualified   | 20        |

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# Key messages

**This report summarises my findings from the 2009/10 audit. My audit comprises two elements:**

- **the audit of your financial statements (pages 5 to 8); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 9 to 14).**

**I have included only significant recommendations in this report. The Council has accepted these recommendations.**

## **Audit opinion and financial statements**

**1** I issued an unqualified opinion on the Council's financial statements on 30 September 2010.

**2** The financial statements presented for audit were complete, but required one material amendment and several other minor amendments. The Chair of the Audit Committee considered and approved the amendments on 30 September 2010.

**3** I experienced problems completing my work in the Housing, Adult and Social Care and Children and Families departments. This meant I spent more time than planned resolving audit queries and completing my audit work in these areas. This resulted in an additional audit fee being charged.

### **Pension Fund**

**4** My audit opinion on the financial statements included an unqualified opinion on the Pension Fund's financial statements. The statements presented for audit contained no material errors.

**5** I experienced problems auditing investments because of incomplete supporting working papers and audit trails that were difficult to follow in some areas. This resulted in an additional audit fee being charged.

## **Value for money**

**6** I issued an unqualified value for money conclusion on 30 September 2010 stating the Council had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

**7** I reviewed the Council's arrangements and responsibilities in respect of Copland Community School, following allegations of financial mismanagement and undue patronage thought to be occurring at the School. I reported my findings to management and the Council's Audit Committee in September 2010. In my report I make recommendations to improve the Council's risk management, internal control and performance management of foundation schools.

## **Audit fees**

**8** I raised additional fees of £15,000 and £3,000 on the Council's main and pension fund audit of financial statements respectively, as detailed in paragraphs 3 and 5 above and at Appendix 1.

**9** I have also charged a total fee of £35,500 for my investigation into the Council's arrangements and responsibilities in respect of Copland Community School.

## **Current and future challenges**

**10** The economic downturn and cuts to public spending, including those announced in the Government's Comprehensive Spending Review in October 2010, continue to create challenges for local government bodies. The Council has demonstrated good management of its finances in the past. However, to achieve the level of savings and efficiencies required, new ways of delivering services and improving efficiency will be needed.

**11** The Council has recognised the level of change needed and has implemented its 'One Council' Improvement and Efficiency programme designed to deliver efficiency savings in excess of £50 million over a 2 year period. It is an ambitious programme requiring strong leadership and effective management. My initial review of the programme found good progress had been made in establishing robust arrangements and obtaining the expertise needed to identify and drive through change. The challenge now is for the Council to deliver the programme in a shorter than planned timescale whilst maintaining the capacity to deliver good quality services.

**12** The government's cancellation of the Building Schools for the Future programme means a loss of £80 million of capital investment in the borough's schools. The Council now needs to establish how it will address the need for improvements to school buildings and the need for more school places.

**13** All councils will be required to implement International Financial Reporting Standards (IFRS) in 2010/11. Although the Council has made good progress in some key areas in planning for this change, focus on this area needs to be maintained to ensure implementation is completed within appropriate timescales.

# Financial statements and annual governance statement

**The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.**

**I gave an unqualified opinion on the Council's 2009/10 financial statements on 30 September 2010, the statutory target date.**

## Overall conclusion from the audit

**14** I issued an unqualified opinion on the Council's financial statements on 30 September 2010.

**15** I reported the following key issues in my Annual Governance Report which I presented to members of the Audit Committee on 29 September 2010:

- bad debts written off of £12.7 million, a material error, was misallocated between income and expenditure in the Collection Fund Statement;
- the accounting for the Housing Private Finance Initiative (PFI) did not take account of assets being delivered on a phased basis. This resulted in numerous non material amendments required to correct the error;
- the Council amended the financial statements for agreed adjustments, which had no impact on the available revenue reserves; and
- the Council chose not to amend one error, relating to a reconciling difference between main accounting records and housing records. If this item were adjusted it would increase the reported deficit by £192,000.

**16** 2009/10 was the first year changes were introduced in respect of accounting for PFI arrangements, a new reporting standard for Service Concession Arrangements. Overall, the Council met the reporting requirements, prepared good working papers and obtained expert advice where appropriate.

**17** I experienced problems completing my work in the Housing, Adult and Social Care and Children and Families departments. In these areas the Council was slow providing supporting documentation and responding to audit queries. This meant I spent more time than planned completing my audit work which resulted in an additional audit fee of £15,000 being charged.

## Overall conclusion from the pension fund audit

18 My audit opinion on the financial statements included an unqualified opinion on the Pension Fund's financial statements. The statements presented for audit contained no material errors.

19 I reported the following key issues in my Annual Governance Report which I presented to members of the Audit Committee on 29 September 2010:

- the financial statements presented for audit did not include all the disclosures required by the Pension Fund Statement of Recommended Practice (PF SORP). These largely related to detailed disclosures required for investments held at year end; and
- not all investment values included in the financial statements agreed to year-end custodian and fund manager reports. The adjusted values decreased the surplus reported in the Fund Account by £783,000.

20 I experienced problems auditing investments because of incomplete working papers and audit trails that were difficult to follow in some areas. This resulted in an additional fee of £3,000 being raised.

## Whole of Government Accounts

21 The Council filed its whole of government accounts (WGA) return on 13 August 2010 after the 30 July 2010 deadline. The Council informed Communities and Local Government (CLG) department that the delay was due to number of reporting changes introduced this year and staff capacity. I certified the WGA consolidation pack on the 11 October 2010, after the deadline of 1 October 2010. This was a result of the late completion of financial statements and the number of the amendments identified by the audit.

## Financial Audit

22 I have summarised the findings from my Annual Governance Reports below.

Table 1: **Summary of findings from Annual Governance Reports**

| Detail  | Council audit | Pension Fund audit |
|---|---------------|--------------------|
| <i>Financial statements</i>                                     |               |                    |
| Unqualified audit opinion                                       | Yes           | Yes                |
| Financial statements free from material error or mis-statements | No            | Yes                |
| Adequate internal control environment                           | Yes           | Yes                |
| Adequate arrangements for                                       | Yes           | Yes                |

| Detail  | Council audit | Pension Fund audit |
|---|---------------|--------------------|
| securing value for money                                    |               |                    |
| <i>Whole of Government Accounts</i>                         |               |                    |
| Certified consolidation pack by deadline                    | No            | n/a                |
| Consolidation pack free from material mis-statements        | No            | n/a                |
| <i>Source: Annual Governance Reports: September 2009/10</i> |               |                    |

## Recommendation

**R1** Improve year end financial reporting arrangements across the Council.

## Significant weaknesses in internal control

**23** I did not identify any significant weaknesses in your internal control arrangements.

## Legal matters and completion of the audit

**24** In my 2007/08 and 2008/09 Annual Audit Letters, I explained that I could not formally close these audits until I had completed my consideration of two outstanding matters:

- the Council's involvement in London Authorities Mutual Limited (LAML); and
- my investigation into issues raised in respect of Copland Community School.

**25** I have now dealt with these matters and I closed the 2007/08 and 2008/09 audits, together with the 2009/10 audit on 30 September 2010.

### London Authorities Mutual Limited (LAML)

**26** The Council and some other London Boroughs established a mutual insurance company, London Authorities Mutual Limited (LAML) to provide insurance to all the participating authorities, in order to achieve cost savings and improve risk management. The Council's investment in LAML amounted to £261,000. It also provided a guarantee of £609,000.

**27** The Council initially anticipated there would be a gap between LAML being ready to provide insurance and the Council's previous insurance arrangements ending. The Council therefore initiated a tender exercise for

insurance cover. Risk Management Partners Limited (RMPL) tendered for the contract but Brent abandoned the procurement exercise and instead awarded the contract directly to LAML.

**28** RMPL initiated legal proceedings against the Council contending that the decision to set up and participate in LAML was not within the Council's legal powers. The High Court and subsequently the Court of Appeal decided against the Council. I am satisfied that the Council sought and considered legal advice before entering into its investment in LAML, and has taken appropriate action in light of the Court's decision. LAML has now been liquidated and the Council is recovering the sums paid to the company. Overall, I am satisfied that there has been no material loss to the Council.

### **Copland Community School**

**29** In April 2009 I received allegations of financial mismanagement and undue patronage thought to be occurring at Copland Community School.

**30** In the context of my responsibilities as auditor of the Council (I am not the auditor of the School) I made enquiries at the Council. I found the Council had also received a copy of the allegations and that it had asked its internal auditors to carry out a detailed investigation. I satisfied myself that the scope of the Council's investigation covered all aspects of the allegations. I subsequently focussed my investigation on whether the Council had suitable arrangements in place to carry out its responsibilities for the School, and whether those arrangements worked properly in practice.

**31** I reported my findings to management and the Council's Audit Committee in September 2010. In my report I concluded that even though foundation schools have a high level of autonomy, the Council retains a responsibility over the proper administration of schools' affairs. This includes ensuring that satisfactory systems of internal control are in place and there is an effective internal audit.

**32** I found there were some key weaknesses in the Council's arrangements and how they were applied. I recommended that the Council should improve its risk management, internal control and performance management of foundation schools.

### **Recommendation**

**R2** Strengthen risk management, internal control and performance management arrangements in respect of foundation schools.

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# Value for money

**I considered whether the Council is managing and using its money, time and people to deliver value for money.**

**I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.**

## **2009/10 use of resources assessments**

**33** At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on Comprehensive Areas Assessment (CAA) would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

**34** However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

**35** I report the significant findings from the work I have carried out to support the VFM conclusion.

## **VFM conclusion**

**36** I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

**37** This is a summary of my findings.

Table 2: **VFM assessment**

| Criteria                                       | Adequate arrangements?  |
|--|-------------------------|
| <b>Managing finances</b>                       |                         |
| Planning for financial health                  | Yes                     |
| Understanding costs and achieving efficiencies | Yes                     |
| Financial reporting                            | Yes                     |
| <b>Governing the business</b>                  |                         |
| Commissioning and procurement                  | Yes                     |
| Use of information                             | Yes                     |
| Risk management and internal control           | Yes                     |
| <b>Managing resources</b>                      |                         |
| Natural resources                              | Not assessed in 2009/10 |
| Strategic asset management                     | Yes                     |
| Workforce                                      | Yes                     |

**38** I issued an unqualified conclusion stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in the use of its resources.

**39** To reach this conclusion, I used my review of arrangements in 2008/09 as a baseline and concentrated on the areas where the Council could demonstrate improved outcomes.

**40** This year I concluded that the Council has strong evidence of value for money outcomes across many of its services. I set out some examples of the arrangements and outcomes identified during my review.

### **Managing finances**

**41** The Council continues to successfully manage its finances to deliver value for money for residents.

**42** The Council has an integrated financial, service and corporate planning process covering the medium to long term. Stakeholders are consulted on financial planning issues, for example a consultation exercise is undertaken on the annual budget.

**43** In 2009/10 the Council managed its budget, controlled overspending and maintained balances in line with the medium term financial strategy. The Council has a good understanding of its costs. Benchmarking has been used to identify high cost areas and to help target where efficiencies can be made.

44 The Council's financial monitoring and reporting is relevant, timely and supports strategic decision making. The Council's accounts generally comply with statutory requirements and reports are published in line with statutory requirements. The Council could improve arrangements supporting the preparation of its accounts to ensure there is a consistent high standard across the Council.

### **Governing the business**

45 Overall, the Council has adequate arrangements to govern the business and deliver better outcomes for residents.

46 The Council is developing a corporate approach to procurement as part of its wider transformation programme. Service users are involved in some areas of commissioning, such as family and home care, but this is not yet consistent across the Council.

47 The Council has played a key role in the North West London Alliance to improve services and deliver savings. Through the cumulative buying power of the participating councils better contracts for domiciliary services and residential care, have been negotiated.

48 Data quality arrangements have improved. Management information includes trend and benchmarking data. Performance management includes monitoring of shared targets with partner organisations.

49 The Council promotes and demonstrates the principles of good governance across all staff levels. Strong member development arrangements are in place including cross party work and dedicated officer support.

50 Risk management arrangements are in place and meet minimum standards. Arrangements are not consistent between directorates, and there is scope to increase frequency of reviews and reporting to members.

### **Recommendation**

**R3** Embed good procurement practice across the Council.

**R4** Embed good risk management arrangements across the Council.

### **Managing resources**

51 The Council continues to manage its resources to deliver better value for money for residents.

52 This year I reviewed the Council's arrangements to manage its workforce for the first time. The Council is developing its workforce effectively to support the achievement of strategic priorities. Recruitment and retention activities have been successful in priority areas. Recruitment has been modernised through, for example, the introduction of an e-recruitment system.

**53** The Council's workforce is representative of its local population in relation to gender and race. The 2009 staff survey found 71% of respondents believe Brent is an equal opportunity employer and treat staff with fairness and respect. The Council are developing opportunities for flexible working arrangements.

**54** The Council is developing a corporate approach to managing its assets. Since last year, arrangements have been made to ensure all departments buy-in corporate facilities management contracts. Council assets continue to be used well to deliver improved outcomes for the local community. Opportunities are explored to share asset use with partners such as the police and the local Primary Care Trust. Investment in backlog maintenance has reduced the backlog to an insignificant level.

## **Risk-based performance reviews**

**55** To support my review of the criteria I undertook the following studies:

- 'One Council' transformation, improvement and efficiency strategy review;
- health inequalities review;
- performance management follow up review; and
- human resources follow up review.

**56** I have reported my detailed findings to the Council in separate reports and detailed key findings below.

### **Improvement and efficiency strategy review**

**57** My initial review was carried out in March 2010. At that time the improvement and efficiency programme had a medium to high inherent risk being large and complex, with its implementation having a long-term impact on the Council's ability to deliver its core business. The Council has built up a track record of delivering change projects but these are not of a similar size and scale as the One Council improvement and efficiency programme. The Council has recognised the need to invest in high quality project management. It has sought professional help to support and develop its own in-house resources.

**58** The Council has also brought forward the target date for achieving cost reductions and savings by two years, increasing the risk of success in a shorter timescale. A key challenge will be ensuring the Council has sufficient capacity to deliver the programme whilst continuing to deliver a high standard of services and dealing with further finance pressures from the recent Comprehensive Spending Review.

**59** The programme is challenging, however the Council has made good progress in establishing strong programme management arrangements. I will review progress again later in the year.

## Health inequalities review

60 In 2008/09 I conducted a review of the Council and Primary Care Trust's (PCT) arrangements to tackle health inequalities in Brent. I identified some key strengths arrangements and some areas where the achievement of objectives were at risk. My follow up review in 2009/10 assessed how stakeholders were addressing the risks and assessed the arrangements to deliver the health inequalities programme. My overall conclusion is that the Council and PCT are working well together to tackle health inequalities, but significant challenges remain. The key findings were:

- there is a clear strategic commitment from the Council and the PCT to tackle health inequalities;
- the main partnerships have been identified but partnerships with other interested bodies are limited e.g. voluntary sector;
- the existing front line workforce can be used more effectively to tackle health inequalities by;
  - providing timely information on healthy lifestyles; and
  - highlighting services such as smoking cessation;
- an action plan has been developed and adopted by the Council and the PCT to address risks.

61 The Council and PCT are working to address these challenges and recognise that further improvements are needed.

## Performance management follow up review

62 In 2008 I reviewed the Council's performance management arrangements. The review focused on:

- the means of how the Council's priorities were translated in to meaningful targets;
- the use of trend analysis and benchmarking;
- the progress on providing the IT infrastructure to support the performance management framework;
- adherence to data protection principles; and
- partnership performance management arrangements.

63 2009/10 I followed up on the recommendations made in my previous report and assessed what progress had been made in completing them. I found that good progress has been made implementing all of the recommendations, with specific actions taken to improve systems and processes. Further improvements can be made by making partnership information available on-line.

## Human resources follow up review

64 I followed up progress since my 2007/08 review which identified further recommendations to improve arrangements.

65 Human resources (HR) has improved since 2008. It is now at the centre of the Council's business transformation plans. HR is proactive at giving early warning of potential workforce problems and suggesting solutions. Councillors and Corporate Management Team (CMT) now receive good

performance information on HR and use this to take decisions. Comparative information on key areas such as sickness absence and employee turnover are regularly reviewed by chief officers. The Council plans to do more useful benchmarking.

**66** Overall, HR is now better placed to help deliver the Council's transformation programme.

## **Approach to local value for money work from 2010/11**

**67** Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

**68** My work will be based on a reduced number of reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

**69** I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

# Current and future challenges

## Financial health

**70** The economic downturn and cuts to public spending, including those announced in the Government's Comprehensive Spending Review in October 2010, continue to create challenges for local government bodies. As at 31 August 2010, the Council was projecting a general fund overspend of £5.6 million resulting largely from cost pressures in Children and Families and Adult Social Care. In year action has been taken and directors have been tasked with identifying additional cost savings, focussing on non-essential services. This is in context of a £261.9 million 2009/10 revenue budget, including a planned contribution of £522,000 from reserve balances.

**71** The Medium Term Financial Strategy (MTFS) has identified a worst case scenario of £63 million cumulative shortfall over three years to 2013/14, assuming:

- a 2.5% annual reduction in formula grant;
- no increase in Council Tax; and
- savings of £6.7 million a year.

**72** In anticipation of further budget pressures, the Council presented a report to the Budget and Finance Overview and Scrutiny committee in July 2010, setting out the impact of a 25% reduction in the government's funding formula. This provided a basis for members to consider further areas for savings and changes in service delivery.

**73** The Council has recognised the level of change needed and has implemented its 'One Council' Improvement and Efficiency programme designed to deliver efficiency savings in excess of £50 million over a 2 year period. The programme is expected to contribute to the Council's overall target of cutting costs by 20 per cent over the next four years and addressing a significant portion of the budget deficit in the MTFS.

**74** It is an ambitious programme requiring strong leadership and effective management. My initial review of the programme found good progress had been made in establishing robust arrangements and obtaining the expertise needed to identify and drive through change. The challenge now is for the Council to deliver the programme in a shorter than planned timescale whilst maintaining the capacity to deliver good quality services.

## International Financial Reporting Standard

**75** Local authorities will prepare their Statements of Accounts under the new International Financial Reporting Standard (IFRS) based Code of Practice on Local Authority Accounting from 2010/11. The move to IFRS does not mean wholesale change, but where changes do occur a significant amount of work is needed to assess the impact on the accounts. Much of

that work needs doing now as the 2009/10 accounts will need to be restated to provide the prior year balances in the 2010/11 accounts.

**76** I have reviewed progress made by the Council and assessed progress as amber (green - low risk, red - high risk). The Council has assigned officers to the IFRS implementation project, presented progress to the Audit Committee, obtained external advice and made progress in some key areas e.g. leasing. The Council will need to ensure it completes work in accordance with its project plan, enabling early audit review, and ensure implications of International Accounting Standard 16: Property, Plant and Equipment (IAS16) are fully addressed e.g. component accounting.

**77** My team will work with the Council's finance team to discuss early accounting views, where required, and share good practice from other councils.

## **The abolition of the Audit Commission**

**78** On 13 August 2010 the Secretary of State for Communities and Local Government announced the proposed abolition of the Audit Commission. The proposed abolition will be from 2012/13 at the earliest and is subject to the passage of legislation.

**79** My priority is to ensure that my team and I maintain our professional standards and commitment. The Audit Commission's Managing Director of Local Government and Community Safety has written to the Chief Executive to confirm there is no immediate change to the audit arrangements for the Council.

**80** The Audit Commission is in discussion with the Department of Communities and Local Government about the proposed legislation and the details that will need to be worked through. The Department is keen that the Audit Commission's in house practice will continue in the future and is looking at how a new stand alone organisation could be formed. I will keep the Council informed about the future audit programme and any changes to audit arrangements.

## **Future developments**

### **Education**

**81** In July 2010, the Secretary of State for Education announced the end of the Building Schools for the Future investment programme. In Brent, this affected three schools that had been earmarked for investment. This remains a key risk area for the Council who need to redevelop or build schools in order to meet the demand for places within the Borough.

### **Civic Centre**

**82** The Council plans to bring together its services, which are spread across 14 buildings in the borough, in a new civic centre near Wembley Stadium. The plans were approved by the Council's Planning committee on



16 March 2010. Skanska have been recently named as the selected contractor to build the new civic centre. Construction is planned to commence in November 2010. The civic centre, the centrepiece of the regeneration of Wembley, will bring together council departments from the Town Hall, Brent House, Chesterfield House, and Mahatma Ghandi House. It will include a 1,000 capacity community hall, a library, two cafes, a shopping area, and council offices and committee rooms. The successful delivery of this plan is essential to the medium term plans of the Council. The civic centre is planned to be ready for occupation in June 2013.

DRAFT

## Closing remarks

**83** I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at the Audit Committee on 16 December 2010 and will provide copies to all committee members.

**84** Full detailed findings, conclusions and recommendations in the areas covered by my audit were included in the reports I issued to the Council during the year.

| Report                                     | Date issued    |
|--|----------------|
| Audit Fee Letter                           | April 2009     |
| Audit Opinion Plan                         | February 2010  |
| Annual Governance Report                   | September 2010 |
| Opinion on financial statements            | September 2010 |
| Value for Money Conclusion                 | September 2010 |
| Opinion on Whole of Government Accounts    | October 2010   |
| Human resource follow up review            | January 2010   |
| Performance management follow up review    | March 2010     |
| Improvement and efficiency strategy review | August 2010    |
| Health inequalities review                 | September 2010 |

**85** The Council has taken a positive and helpful approach to our audit. I wish to thank the Council's staff for their support and co-operation during the audit.

Andrea White  
District Auditor

November 2010

## Appendix 1 – Audit fees

| Council Audit  | Actual  | Proposed (Note 1) | Variance |
|--|---------|-------------------|----------|
| Financial statements and annual governance statement | 362,000 | 347,000           | 15,000   |
| Value for money                                      | 123,000 | 123,000           |          |
| Total audit fees                                     | 485,000 | 470,000           | 15,000   |
| Foundation school arrangements review                | 12,500  | 0                 | 12,500   |
| Certification of grant claims                        | tbc     | 85,000            |          |

| Pension Fund Audit                     | Actual | Proposed (Note 2) | Variance |
|--|--------|-------------------|----------|
| Financial statements and related notes | 38,000 | 35,000            | 3,000    |

Note 1: The proposed fee is as reported in my 2009/10 Audit Opinion Plan in February 2010.

Note 2: The proposed fee is as reported in my 2010/11 Audit Fee Letter in June 2010 following a review of fee scales for Pension Funds.

tbc = to be confirmed

## Appendix 2 – Glossary

### Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

### Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

### Financial statements

The annual accounts and accompanying notes.

### Qualified

The auditor has some reservations or concerns.

### Unqualified

The auditor does not have any reservations.

### Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

## Appendix 2 Action plan

| Recommendations   |   |
|---|---|
| <b>Recommendation 1</b>   |   |
| Improve year end financial reporting arrangements across the Council. |   |
| <b>Responsibility</b>   | Deputy Director of Finance  |
| <b>Priority</b>   | High  |
| <b>Date</b>   | 31 March 2011   |
| <b>Comments</b>   | <p>Year end arrangements are being reviewed to ensure that improvements are made and faster closedown is achieved. Although 2010/12 will present challenges because of the introduction of centralised oracle process and IFRS, improvements identified will include</p> <ol style="list-style-type: none"><li>1. A more robust and comprehensive approach to month-end closing processes</li><li>2. A 'hard close' based on month 9 to enable both testing of processes and early auditing</li><li>3. A detailed Action Plan to improve year end arrangements with clear milestones and accountabilities</li></ol> |

## Recommendation 2

Strengthen risk management, internal control and performance management arrangements in respect of foundation schools.

|                       |  |
|-----------------------|--|
| <b>Responsibility</b> | Director of Children & Families  |
| <b>Priority</b>       | High   |
| <b>Date</b>           | 31 March 2011  |
| <b>Comments</b>       | The schools environment is changing with greater plurality of models, each necessitating a robust approach to risk management, controls and performance arrangements. School heads received a briefing from the Director of Finance on 29 <sup>th</sup> November 2010 and the AD (Children and Families) will begin a review in January 2011, concluding by March and involving consultation with schools. |

### Recommendation 3

Embed good procurement practice across the Council.

**Responsibility** Director of Legal & Procurement

**Priority** High

**Date** Ongoing

**Comments** Delivery of this 'One Council' project is a key priority for the Council and is ongoing. Actions taken so far include

1. The appointment of a new Interim Head of Procurement and Chief Negotiator with commercial experience
2. The implementation of Oracle Financials including procurement. This incorporates 3-way matching, centralised procurement and AP and supplier management and is being rolled out across LB Brent
3. Use of internal communications channels to promote effective procurement.

In the future, we expect to see include

1. Changes in internal behaviours to embrace Oracle processes and maximise the return in this software
2. A category management approach to procurement underpinned by a robust procurement strategy
3. A review of existing contracts to extract maximum cost savings
4. A change to the way in which contracts are re-negotiated. This will mean negotiations on major contract being led by the commercially orientated Chief Negotiator and not by those responsible for day-to-day contract management
5. Improvements in contract monitoring and management

#### Recommendation 4

Embed good risk management arrangements across the Council.


|                       |  |
|-----------------------|--|
| <b>Responsibility</b> | Director of Finance & Corporate Services |
|-----------------------|--|

|                 |      |
|-----------------|------|
| <b>Priority</b> | High |
|-----------------|------|

|             |               |
|-------------|---------------|
| <b>Date</b> | 31 march 2011 |
|-------------|---------------|

|                 |  |
|-----------------|--|
| <b>Comments</b> | We will be undertaking a review of risk management process across the Council. As part of this, risk management will transfer to Internal Audit & Investigations as part of strengthening of Council's arrangements and ensuring a stronger linkage. |
|-----------------|--|



|   |   |
|---|---|
|  | <p style="text-align: center;"><b>Audit Committee</b><br/>16 December 2010</p> <p style="text-align: center;"><b>Report from the Director of<br/>Finance and Corporate Services</b></p> |
| Wards Affected:<br>ALL  |   |
| <b>2010/11 Mid Year Treasury Management Report</b>                                |   |

## 1. SUMMARY

1.1 This report details treasury management activity for 2010/11.

## 2. RECOMMENDATIONS

2.1 Members are asked to note and comment on the 2010 Treasury Mid Year report.

## 3 DETAIL

3.1 The 2009 CIPFA Revised Code of Practice for Treasury Management established that members should receive a mid-year report on treasury management activity as part of the effort to improve scrutiny and transparency following problems with loans to Icelandic Banks.

3.2 The Treasury Management Strategy for 2010/11 set out forecasts for the year. These were:

- a) That inflation would remain low, world economic growth accelerate and that long term interest rates might start to rise.
- b) It was anticipated that most in house lending would be short term in nature, and that a revised Lending List, to include overseas banks, would be issued if markets remained calm.
- c) If long term rates were rising, and short term rates likely to increase, borrowing would rise in line with the Capital Financing Requirement (CFR) that measures capital expenditure.

### **Lending activity**

3.3 Appendix 1 sets out loans outstanding as at 31<sup>st</sup> October. Most lending activity has been short term (less than one month) in nature following the reduction in cash reserves in March 2009 and October 2010 to repay debt. The only change to the Lending List saw the removal of Alliance & Leicester

following the removal of its credit rating on assimilation into Santander. Three year deposits made in 2007 and 2008 have gradually been repaid and re-invested at lower rates, reducing the income earned by the council. The external manager, Aberdeen Asset Management, continues to invest in one year certificates of deposit that yield better returns than those obtained by the in-house team.

- 3.4 In 2008, Brent deposited £15m with Icelandic banks - £10m with Heritable Bank, £5m with Glitnir Bank. The council has recovered a further £1m in 2010/11 from the administrators of Heritable, leaving £5.5m outstanding. It is anticipated that Brent will recover between 80% and 90% of its original deposit with Heritable. The legal case surrounding Glitnir, where the Winding up Board decided that local authorities were not preferred creditors, will continue for some time but our advisers are confident that the £5m will be recovered.
- 3.5 Although Brent has borrowed a further £20m for ten years from the Public Works Loan Board since April 2010 (to fund capital expenditure), forecasts that interest rates will remain low for some years mean that further borrowing will be minimal and balances reduced. However, the new Civic Centre project will require major capital expenditure, so that timing new loans is an important consideration.

### **Borrowing Activity**

- 3.6 It had been anticipated that both short and long-term borrowing rates might rise during 2010/11. It was felt that long term rates were particularly vulnerable given the large Public Sector Borrowing Requirement of around £170bn. On this basis, £30m was taken in long term loans to finance capital expenditure. The Public Works Loans Board (PWLB – a government lending institution) has supplied £20m in 10 year Equal Instalment Payment loans (at 3.25%), and the private sector £10m (at 2%) in a 'LOBO' (Lenders Option, Borrowers Option, which allows the lender the option to ask for a higher rate at set points in the life of the loan, but allows the borrower to repay rather than pay a higher rate).
- 3.7 However, the savings glut in Asia, the 'flight to safety' arising from the Euroland PIIGS (Portugal, Ireland, Italy, Greece and Spain), demand for gilts from banks and pension funds, and lack of borrowing in the private sector, have driven rates to very low levels. More important, the slow economic recovery, expenditure reductions and tax rises planned by the government, and fears of a double dip recession have brought about a reconsideration of the rising bank rate scenario that had previously influenced many economic commentators. Both Capital Economics and our treasury adviser, Arlingclose, now believe that base rate may stay low for a prolonged period. On this basis, it makes little sense in the medium term (three to four years) for councils to hold cash balances earning 0.3% and borrow at 4%. Arlingclose has advised that Brent repays some debt and avoids long term borrowing, a strategy that has considerable economic merit.

- 3.8 In October 2010, the council repaid £50m PWLB debt. It is anticipated that this will save the General Fund £0.4m in 2010/11, and £0.7m in 2011/12. The council has replaced the PWLB debt with short term debt borrowed at 0.38%.
- 3.9 On 20<sup>th</sup> October, as part of the Central Spending Review, HM Treasury changed the terms under which councils borrow from the PWLB. Whereas previous loans had been made at a rate that was around 0.15% above the government cost of borrowing, HM Treasury have increased the differential to 1%. This will affect both fixed rate and variable rate loans. For example, the rate for 50 year loans rose from 4.23% to 5.1%. However, the discount rate used to calculate debt repayments has not been changed, making further debt restructuring activity much less likely. The new regime will encourage councils to avoid PWLB borrowing and to use their cash balances. It may also discourage capital projects, though there are other sources of long term finance, such as LOBOs or the issue of bonds.

#### **Other issues**

- 3.10 A member training session on Treasury management was held on 18<sup>th</sup> November, and attended by 16 members. The training covered both the regulatory framework and practical aspects of scrutinising and monitoring treasury functions.
- 3.11 All activity has complied with the Annual Investment Strategy set out in March 2010.

#### **4. FINANCIAL IMPLICATIONS**

These are covered in the report.

#### **5 DIVERSITY IMPLICATIONS**

The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

#### **6 STAFFING IMPLICATIONS**

None

#### **7 LEGAL IMPLICATIONS**

There are no legal implications arising from the report.

#### **8 BACKGROUND**

Annual Treasury Strategy – Report to Full Council (and the Audit Committee) as part of the Budget Report – March 2010.

Persons wishing to discuss the above should contact the Exchequer and Investment Section, Finance and Corporate Resources, on 020 8937 1472/74 at Brent Town Hall.

**APPENDIX 1**


**Brent treasury lending list**

1 The current loans outstanding as at 31st October 2010 are:

| <b>Name</b>                | <b>Amount<br/>£m</b> | <b>Yield<br/>%</b> | <b>Lending<br/>Date</b> | <b>Maturity<br/>Date</b> |
|----------------------------|----------------------|--------------------|-------------------------|--------------------------|
| Global Treas. Fund (RBS)   | 0.1                  | Var.               | Call                    |                          |
| Gartmore cash reserve      | 0.1                  | Var.               | Call                    |                          |
| Heritable bank             | 5.5                  | 5.85               | 15.08.08                | 14/11/08                 |
| Glitnir                    | 5.0                  | 5.85               | 15.09.08                | 12/12/08                 |
| Northern Trust global fund | 0.1                  | Var.               | Call                    |                          |
| Skipton BS                 | 5.0                  | 6.48               | 01.07.08                | 01/07/11                 |
| RBS                        | 5.0                  | 1.13               | 22.09.08                | 22/09/11                 |
| Santander UK               | <u>9.5</u>           | <u>0.81</u>        | 14.10.10                | 12.11.10                 |
| <b>Total</b>               | <b><u>30.3</u></b>   | <b><u>1.52</u></b> |                         |                          |

Brent has also invested £23.4m with an external manager, Aberdeen Asset Manager, which has placed the fund in a mixture of certificates of deposit (CDs) and cash. The list of investments held by Aberdeen is as follows:-

|                      | <b>Amount<br/>£m</b> | <b>Yield<br/>%</b> | <b>Maturity<br/>Date</b> |
|----------------------|----------------------|--------------------|--------------------------|
| Barclays Bank CD     | 2.7                  | 1.45               | 01.08.11                 |
| RBOS CD              | 2.3                  | 1.2                | 03.08.11                 |
| Clydesdale Bank CD   | 2.5                  | 1.19               | 24.11.10                 |
| Barclays Bank CD     | 1.5                  | 1.42               | 14.10.11                 |
| Nationwide BS CD     | 2.2                  | 1.22               | 29.11.10                 |
| Lloyds TSB CD        | 2.0                  | 1.17               | 06.12.10                 |
| Lloyds TSB CD        | 1.0                  | 1.19               | 03.02.11                 |
| Lloyds TSB CD        | 1.5                  | 1.2                | 03.08.11                 |
| RBOS CD              | 2.25                 | 3.1                | 07.02.11                 |
| Nationwide BS CD     | 2.2                  | 1.23               | 28.03.11                 |
| Abbey National CD    | 3.15                 | 1.44               | 18.10.11                 |
| HSBC Current account | -                    |                    |                          |
| Accrued interest     | <u>0.1</u>           |                    |                          |
|                      | <b><u>23.4</u></b>   | <b>1.4</b>         |                          |

|   |   |
|---|---|
|        | <p style="text-align: center;"><b>Audit Committee</b><br/>16 December 2010</p> <p style="text-align: center;"><b>Report from the Director of<br/>Finance and Corporate Services</b></p> |
| <p>For Information <span style="float: right;">Wards affected:<br/>ALL</span></p>       |   |
| <p style="text-align: center;"><b>Second Internal Audit Progress Report 2010/11</b></p> |   |

## 1. Summary

- 1.1. This report sets out a summary of the work of Internal Audit for the period 1 April 2010 to 30 November 2010. The attached report provides details of progress, together with the assurance ratings and priority 1 recommendations for those audits which have been finalised since the last report to this committee.

## 2. Recommendations

- 2.1. The Audit Committee note the progress made in achieving the 2010/11 Internal Audit Plan.

## 3. Detail

- 3.1. The Internal Audit Plan for 2010/11<sup>1</sup> comprises 1201 days, of which 941 are allocated to Deloitte Touche Public Sector Internal Audit Limited (Deloitte), and 260 to the in-house team. At the end of November 2010, a total of 570 days had been delivered against the overall Plan, made up of 430 Deloitte days and 140 in-house days. This represents 47% of the Plan.
- 3.2. An even profile of delivery across the year is not realistic given the requirement for a significant volume of work on key financial systems towards year end. In addition, for 2010/11, given that the Plan has been aligned to many of the developments taking place as part of the One Council programme, a further key factor in the timing of work is the status of implementation of each of these developments.
- 3.3. The plan is currently being reviewed in order to determine whether further changes are now required in certain areas, on the basis that internal audit work is not now considered relevant in respect of certain projects at the

current time. For example, a review of parking has been postponed due to an external independent review as part of the One Council Gold Projects. The consultant's report has only recently been issued and internal audit are in the process of arranging to meet with management in order to establish the scope of work in this area in order to avoid duplication. Further, work on the One Council procurement strategy has been postponed due to delays in issuing the strategy. Other projects will be identified in order to ensure delivery of the planned days by year-end.

3.4. A detailed summary of progress and key findings is provided in appendix 1.

#### **4. Financial Implications**

4.1. None

#### **5. Legal Implications**

5.1. None

#### **6. Diversity Implications**

6.1. None

#### **7. Background Papers**

1. REPORT FROM THE DIRECTOR OF FINANCE – INTERNAL AUDIT PLAN FOR 2010-10, *Audit Committee – 3<sup>rd</sup> March 2010.*
2. REPORT FROM DIRECTOR OF FINANCE – 1<sup>st</sup> Internal Audit Progress Report for 2010/11 - *Audit Committee - 29<sup>th</sup> September 2010.*

#### **8. Contact Officer Details**

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**Clive Heaphy**  
**Director of Finance and Corporate Services**



**Internal Audit  
Progress Report 2010/11  
London Borough of Brent  
December 2010**

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## Executive Summary

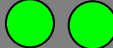



|   |   |
|---|---|
| <b>Introduction</b>                         | <p>This report sets out a summary of the work completed against the 2010/11 Internal Audit Plan for the financial year to date, together with an update on any 2009/10 reports outstanding at the time of the last meeting.</p> <p>In the report we provide a summary of the main findings from each audit together with the assurance ratings for each one. This summary and assurance rating is only reported on once the individual audit reports have been finalised. We have also indicated where draft reports have been issued and are in the process of being agreed with management, or where audit fieldwork is currently in progress.</p> <p>Also set out, at Appendix B, is the full year's Plan, as agreed by the Committee in March 2010, together with an indication of progress at the individual audit level. This allows the Committee to monitor changes to the Plan during the course of the year and to provide comment, where appropriate, on the potential addition of any specific audits.</p>  |
| <b>Summary of progress against the Plan</b> | <p>The Internal Audit Plan for 2010/11 comprises 1,201 days, of which 941 are allocated to Deloitte &amp; Touche Public Sector Internal Audit Limited (Deloitte PSIA), and 260 to the in-house team. Of the total, 59 days were carried forward from 2009/10. The reasons for this were set out within the Plan presented to the March 2010 meeting.</p> <p>As at the end of November 2010, a total of 570 days had been delivered against the overall Plan, made up of 430 Deloitte PSIA days and 140 in-house days. This represents 47% of the Plan.</p> <p>In terms of the profile for 2010/11, in so far as it had been possible to allocate audits to a specific quarter prior to the start of the year, the majority of these have been progressed as planned. Although delivery is behind profile when compared to an even twelve month split, specific target percentages were not agreed for each quarter given that it had not been possible to profile all audits.</p> <p>As has been the case in previous years, an even profile is not considered to be realistic. One reason is that there is a requirement for financial systems to be audited towards the end of the year, in order for our sample testing to cover a significant proportion of the accounting period and hence to satisfy the Audit Commission's assurance needs. In addition, for 2010/11, given that the Plan has been aligned to many of the developments taking place as part of the One Council programme, a further key factor in the timing of our work is the status of implementation of each of these developments. We are currently reviewing the Plan in order to determine whether further changes are now required in certain areas, on the basis that internal audit work is not now considered relevant. More specifically, as part of our initial</p> |

|  |  |
|--|--|
|  | <p>audit plan we had intended to undertake a systems review of Parking. However this audit was postponed because of a review of Parking by an external consultant. The consultant's report has only recently been issued and we are in the process of arranging to meet with management in order to establish the scope of internal audit work in this area in order to avoid duplication. In addition, we had also planned to undertake an adequacy assessment of the revised Procurement Strategy which is also a One Council Gold Project. However this strategy has yet to be provided. If we are unable to undertake this work, we will identify alternative areas in which to undertake work, so as to ensure that the total planned days are delivered by year-end. Appendix B can be referred to for the detailed progress by audit, together with the changes made to the Plan to date.</p>   |
|  |  |
| <p><b>Summary of Work Undertaken</b></p> | <p>A number of systems audits have been completed and are in progress across the Council. At the last Committee meeting, we reported that as part of our focus on key developments, we have undertaken work in relation to the Corporate Property Review and Self Directed Support. In addition to these, we have now undertaken work in relation to reablement which forms part of the Adult Social Care Transformation Programme.</p> <p>Computer audit work is also progressing, at the time of last Committee meeting we reported that the first piece of work was completed to assess the adequacy of controls that were being planned surrounding the migration to the Single Accounting System. A second piece of work has now been undertaken to assess the extent to which the controls were operated effectively.</p> <p>The final key area of work has been in relation to schools. At the time of last Committee meeting we reported that the draft reports and FMSiS assessment outcomes for secondary schools were on hold whilst the issues regarding leasing arrangements are investigated. The work relating to leasing arrangements was completed and a number of issues were highlighted in respect of Value For Money and compliance with the Financial Regulations. On the 15<sup>th</sup> November, the Government announced the decision to end the current Financial Management Standard in Schools (FMSiS) with immediate effect and develop a simpler standard as a replacement.</p> <p>Following this announcement, we will combine the recommendations from FMSiS and Internal Audit programme into one combined report for the schools where we have already completed the FMSiS assessments and Internal Audit work. In future, we will proceed with our scheduled school visits but will focus on the Internal Audit programme with extended coverage in some areas. We are now rolling out our work to primary schools with approximately 12 to be covered under 2010/11 plan.</p> |

### Summary of Assurance Opinions and Direction of Travel




For the work finalised against the 2010/11 Internal Audit Plan to date, a summary of the Assurance Opinions awarded is set out in the table below, together with a comparison to the 2009/10 and 2008/09 financial years. Please note that an Assurance Opinion is not applicable in all cases and we have not included BHP audits within this analysis. Please see page 7 for the definitions of each of these opinions.

**N.B.** The figures for 2009/10 have been updated since the previous meeting to take account of the additional reports that have since been finalised. The proportion of 'Substantial' opinions has now improved from the position reported previously.

|                | Full  | Substantial  | Limited  | None  |
|----------------|---|---|---|--|
| <b>2008/09</b> | -   | 78% (21)  | 22% (6)   | -  |
| <b>2009/10</b> | -   | 61% (25)  | 39% (16)  | -  |
| <b>2010/11</b> | -   | 80% (8)   | 20% (2)   | -  |

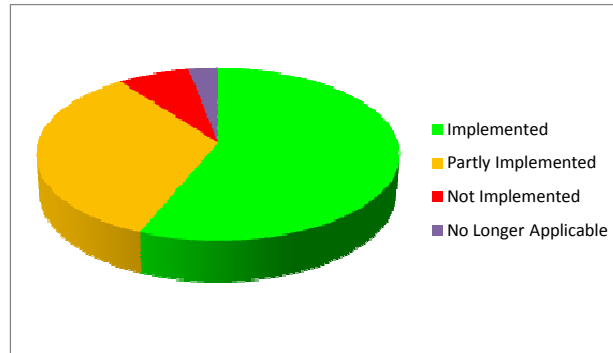
In addition, in any cases where an internal audit has been completed against the same scope in a prior year, an assessment of the Direction of Travel is also provided. As shown in the table below, there have been three audits finalised for the year to date for which such an assessment has been applicable. Please see page 8 for the definitions of the Direction of Travel.

**N.B.** As above, the figures for 2009/10 have been updated since the previous meeting.

|                | Improved  | Unchanged  | Deteriorated  |
|----------------|--|---|--|
| <b>2008/09</b> | 8  | 1   | -  |
| <b>2009/10</b> | 6  | 9   | -  |
| <b>2010/11</b> | 3  | 1   | -  |

Overall, for the work finalised for 2010/11 to date, there has been a positive movement in the spread of assurance opinions. Where applicable, the Direction of Travel assessment has also been positive.

|   |  |
|---|--|
| <b>FMSiS Assessments</b>                              | As mentioned above, FMSiS Assessments ceased as of November 2010.  |
| <b>Follow-Up of Previously Raised Recommendations</b> | <p>We further developed our approach to follow-up work during 2009/10. Under the revised approach, management are responsible for completing a self assessment of the status of implementation of each of the recommendations originally raised, following the passing of the agreed deadlines for implementation. If management indicate that the recommendations have been implemented then we arrange to meet with them to verify this, following which a report will be issued with our findings. If it is found that the recommendations have not been fully implemented, either through verification, or as indicated by management in their self assessment, then further actions will be identified as necessary and revised deadlines for completion will be agreed with management.</p> <p>In all cases, where recommendations have not been fully implemented, the further actions will continue to be followed-up until the point at which full implementation is confirmed. The follow-up programme is now a rolling one as opposed to being restricted to an individual financial year. On this basis, the recommendations raised as part of a specific audit may be followed-up more than once in a single financial year, as well as potentially being followed-up in the same financial year to that in which the audit was undertaken. This has improved the efficiency of the follow-up process, and will also improve the extent to which management recognise the importance of undertaking their own monitoring of the implementation of recommendations.</p> <p>The rolling programme is now fully in place and recommendations are being followed up with management, as and when the deadlines for implementation pass.</p> <p>A breakdown of the follow-up work undertaken throughout the year is provided on page 23 of this report. The current level of implementation is detailed in the chart below. Overall, 94% of recommendations had either been fully or partly implemented, or are no longer applicable due to changes in the scope of operations. Of the priority 1 recommendations, 100% had either been fully or partly implemented.</p> |



### Customer Satisfaction

In addition to progress against the Plan, a key way in which the performance of Internal Audit is monitored is through the issuing of Customer Satisfaction Surveys following the completion of each piece of work.

Six completed questionnaires have been received to date in relation to the work undertaken in 2010/11. On the basis of these, feedback has been 'Excellent' as shown below.

The detailed breakdown of this feedback is set out on page 27 this report.

| Year              | Average Overall Rating |
|-------------------|------------------------|
| 2008/09           | 4.4                    |
| 2009/10           | 4.1                    |
| 2010/11 (to date) | 4.7                    |

## Detailed summary of work undertaken

We set out in this section, a summary of the internal audits and FMSIS assessments commenced since 1 April 2010, together with any 2009/10 reports that were reported as still to be finalised at the time of the last Audit Committee meeting. A summary of the main findings and the Assurance Opinion are provided for internal audits for which the final report has been issued. Please note that we list out any priority 1 recommendations raised, but only make reference to the number of priority 2 and 3 recommendations raised. Should Members wish to see full reports for any of the audits then these can be provided upon request.

For Members' reference, the following tables provide the definitions of our assurance opinions, together with the definitions for our recommendation priorities. Please note that these only apply to internal audit work, not to FMSIS assessments. The outcomes of the FMSIS assessments are explained separately later in this section of the report.

### Assurance Opinions




We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

|     |                    |   |
|-----|--------------------|---|
| ● ● | <b>Full</b>        | There is a sound system of internal control designed to achieve the client's objectives.<br>The control processes tested are being consistently applied.  |
| ●   | <b>Substantial</b> | While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk.<br>There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk. |
| ●   | <b>Limited</b>     | Weaknesses in the system of internal controls are such as to put the client's objectives at risk.<br>The level of non-compliance puts the client's objectives at risk.  |
| ●   | <b>None</b>        | Control processes are generally weak leaving the processes/systems open to significant error or abuse.<br>Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.  |

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

### Direction of Travel

The Direction of Travel assessment provides a comparison between the current assurance opinion and that of any previous internal audit for which the scope and objectives of the work were the same.

|   |   |
|---|---|
|  | Improved since the last audit visit. Position of the arrow indicates previous status.     |
|  | Deteriorated since the last audit visit. Position of the arrow indicates previous status. |
|  | Unchanged since the last audit report.  |
| No arrow  | Not previously visited by Internal Audit.   |

### Recommendation Priorities

In order to assist management in using our internal audit reports, we categorise our recommendations according to their level of priority as follows:

|                   |  |
|-------------------|--|
| <b>Priority 1</b> | Major issues for the attention of senior management and the audit committee.     |
| <b>Priority 2</b> | Important issues to be addressed by management in their areas of responsibility. |
| <b>Priority 3</b> | Minor issues resolved on site with local management.                             |

## Summary Table

Where audits are part of the Internal Audit Plan with Brent Housing Partnership (BHP), we have indicated the Assurance Opinion for any finalised reports, but the summary of findings is not provided as this will / has been reported on separately to the BHP Audit & Finance Sub-Committee.


At the time of the previous meeting, a number of 2009/10 reports had yet to be finalised. Where this has now occurred we have included these within the table below. However, as set out on page 15, there are still a number of 2009/10 reports at Draft stage, where management responses have not been provided.

### New audit being reported as final – 2009/10 Audits

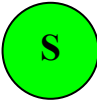
| Audit                         | Status as at 2 December 2010  | Assurance Opinion |     |
|-------------------------------|---|-------------------|-----|
| Government Procurements Cards | <p>We raised four priority 1 recommendations as a result of this audit. These were as follows:</p> <ul style="list-style-type: none"> <li>• A set of deadlines should be agreed for the completion of the current data analysis exercise being undertaken by the Purchasing Analyst and the reporting of this to SFG.</li> </ul> <p>If issues are being experienced in terms of the Purchasing Analyst being able to obtain the required information from Service Areas, this should be escalated to the Director or Deputy Director of Finance for dealing with.</p> <p>Once reported, it is suggested that SFG should agree the actions needed with regards to increasing the number of embedded cards with suppliers, as well as any other opportunities or issues arising.</p> <ul style="list-style-type: none"> <li>• Management should determine and formally document a framework in respect of the monitoring and analysis needed on card usage going forwards.</li> </ul> <p>In both cases, the following elements should be considered:</p> <ul style="list-style-type: none"> <li>○ What monitoring and analysis is needed <i>(taking account of both the compliance aspects and the levels of usage amongst existing card</i></li> </ul> | N/A               | N/A |






| Audit | Status as at 2 December 2010   | Assurance Opinion |  |
|-------|--|-------------------|--|
|       | <p><i>holders with regards to 'monitoring', and the opportunities for increasing usage with regards to 'analysis');</i></p> <ul style="list-style-type: none"> <li>○ Who will be responsible for this;</li> <li>○ What information will be needed to undertake the monitoring / analysis;</li> <li>○ What are the outputs required; and</li> <li>○ How often are these outputs needed.</li> </ul> <p>It is suggested that this framework is reviewed and approved by SFG, prior to being circulated to all relevant officers.</p> <p>In addition, it is recommended that SFG should seek to determine a set of targets with regards to the numbers of cardholders / embedded cards and the level of turnover to be achieved, so as to give additional focus to the monitoring and analysis activities. Performance against these targets should be monitored as part of the high level monitoring information reviewed at SFG.</p> <ul style="list-style-type: none"> <li>● Management should review and clarify the requirements in respect of the GPC's exemption from the purchase order process. Once agreed, this should be clearly communicated to all relevant staff and the GPC related documents, including guidance materials, should be updated to reflect this. It should also be ensured that the clarified procedure is reflected in the Process Definition Document (PDD) which is being developed as part of the Finance Modernisation Project.</li> <li>● A formal procedure should be documented, to cover all checks requiring completion by the Service Unit finance teams/officers on the paperwork submitted by cardholders each month.</li> </ul> <p>It is suggested that this procedure is reviewed and approved by SFG, prior to being circulated to all relevant officers.</p> <p>In addition, a list of authorised signatories should be compiled to cover all cardholders, and this should also be circulated to relevant Service Unit finance teams/officers.</p> |                   |  |

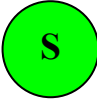


| Audit              | Status as at 2 December 2010  | Assurance Opinion |   |
|--------------------|---|-------------------|---|
|                    | No further recommendations were raised as a result of this work.<br><b>All of our recommendations were accepted for implementation by management.</b> |                   |   |
| Kilburn Square TMO | Final Report Issued.<br>This report has been presented to BHP's Finance & Audit Sub-Committee   | Limited           |  |

New audits being reported as final – 2010/11 Audits

| Audit                                | Status as at 2 December 2010  | Assurance Opinion |   |
|--------------------------------------|---|-------------------|---|
|                                      |   |                   |   |
| Local Area Agreement Data Management | <p>We raised two priority 1 recommendations as a result of this audit. These were as follows:</p> <ul style="list-style-type: none"> <li>• Where management are reliant on data provided by external organisations, a formal agreement should be entered into detailing specific requirements, including but not limited to:               <ul style="list-style-type: none"> <li>○ Type;</li> <li>○ Quantity; and</li> <li>○ Frequency of data to be provided.</li> </ul> </li> </ul> <p>In addition, agreements should specify any controls which the external organisation should have in place regarding quality assurance, and confirmation of any checks which the Council will have a right to undertake, i.e. a right to audit.</p> <p>In such cases, management should determine whether assurances should be obtained from completing sample checks on source information provided. Alternatively, audit / assurance reports from the external organisation could be obtained and examined as a source of some assurance over the accuracy, completeness and validity of the data provided; and</p> | Substantial       |  |


| Audit                        | Status as at 2 December 2010   | Assurance Opinion |  |
|------------------------------|--|-------------------|--|
|                              | <ul style="list-style-type: none"> <li>Evidence of data validation and quality assurance checks, undertaken by the Performance Officers / Service Units and/or by the external organisations providing data, should be maintained in all cases.</li> </ul> <p>Two priority 2 recommendations were also raised where changes can be made in order to achieve greater control.</p> <p><b>All of our recommendations were accepted for implementation by management.</b></p>  |                   |  |
| Business Continuity Planning | <p>We raised one priority 1 recommendations as a result of this audit. These were as follows:</p> <ul style="list-style-type: none"> <li>The current status regarding the introduction of a clause into the contracts for key suppliers / contractors and partners, should be clarified.</li> </ul> <p>The Procurement Guidance should also be updated with the LAP guidelines for procurement.</p> <p>In addition, the Head of Emergency Planning &amp; Business Continuity and the Head of Procurement Strategy &amp; Risk Management should determine the approach to be taken with regards to gaining assurance on the viability of suppliers' / contractors' / partners' business continuity arrangements, as well as on the ongoing adequacy and effectiveness of these.</p> <p>It will be necessary to ensure that the clauses to be included within contracts / partnership agreements fully reflect the agreed approach in terms of the requirements regarding any information to be provided to the Council and the Council's rights of access regarding additional information. Consideration should also be given to the way in which such requirements are communicated to prospective suppliers / contractors / partners prior to the stage of drawing up contracts / partnership agreements, e.g. at the Invitation to Tender stage.</p> <p>Four priority 2 recommendations were also raised where changes can be made in order to achieve greater control.</p> | Substantial       | <br> |

| Audit                     | Status as at 2 December 2010   | Assurance Opinion |   |
|---------------------------|--|-------------------|---|
|                           | <p><b>All of our recommendations were accepted for implementation by management.</b></p> <p>Overall, the assurance opinion is unchanged since the time of our previous audit in 2008/09. We have also shown the Direction of Travel as being unchanged. However, as such, we would have expected there to have been a positive movement given that this has been an area of ongoing development, and given that management had specifically identified further controls as being in the process of implementation at the time of the previous audit. A number of those actions/controls previous described to us as being in progress have been found to have not been fully implemented as planned, and/or were not as comprehensive as previously described. It is acknowledged that progress has been made in some areas, but the recommendations and further actions raised should now be focused on.</p>  |                   |   |
| Sports and Leisure Centre | <p>We have raised two priority 1 recommendations as a result of this audit. These were as follows:</p> <ul style="list-style-type: none"> <li>• The MRM report should be submitted to FSC to supplement the bank reconciliation process. Management should determine whether the MRM report can be modified to provide the information required by FSC to make inputs onto Oracle and to undertake the reconciliation. In the meantime and if the MRM report cannot be modified to fully satisfy the information needs, then management should liaise with FSC so that FSC are aware of the need to confirm the accuracy and completeness of the manual spreadsheet against the MRM report when inputting data onto Oracle and as part of bank reconciliation process.</li> <li>• Staff should be reminded of the need to input voucher sales onto the system. In addition, the Operations Managers should regularly monitor the compliance with the required process and remedial actions should be sought for any repeated non compliance.</li> </ul> <p>Four priority 2 and one priority 1 recommendations were also raised where changes can be made in order to achieve greater control.</p> <p><b>All of our recommendations were accepted for implementation by</b></p> | Substantial       |  |

| Audit                         | Status as at 2 December 2010   | Assurance Opinion |  |
|-------------------------------|--|-------------------|--|
|                               | <p><b>management.</b></p> <p>A formal Direction of Travel Assessment has not been provided in this case as our previous internal audit work focused solely on BPCLC and no assurance opinion was provided.</p> <p>However, it is positive to note that management have made a number of changes to improve the control environment. The changes include the termination of catering and bar operations and outsourcing the vending machine management thereby reducing the risk of stock and income mismanagement. The details of the current control process can be found in the summary of findings.</p>   |                   |  |
| Oracle Database Security (IT) | We have not raised any priority 1 recommendations as a result of this audit. However six priority 2 and two priority 3 recommendations were raised where changes can be made to achieve greater control.   | Substantial       |   |
| Self Directed Support         | <p>We raised five priority 1 recommendations as a result of this audit. These were as follows:</p> <ul style="list-style-type: none"> <li>• It is recommended that the SDS Questionnaire and financial assessment forms should be amended to include the following: <ul style="list-style-type: none"> <li>○ I understand that I am responsible for the accuracy of the information contained in this form. I confirm that the details I have stated in relation to my circumstances are true and correct and that if this situation changes in any way I will notify Brent Council immediately. I understand that the payments I receive are assessed on the basis of the information given on this form.</li> </ul> </li> </ul> <p>I realise that I may be committing a criminal offence by giving false or misleading details, or withholding information in order to receive payments from Brent Council and that if I provide information which I know to be false, I may be liable to prosecution.</p> <p>In addition, the following should also be added to each remittance advice for direct payments:</p> | Limited           | <br> |


| Audit | Status as at 2 December 2010   | Assurance Opinion |  |
|-------|--|-------------------|--|
|       | <ul style="list-style-type: none"> <li>○ The recipient is reminded that they are responsible for immediately informing the Council of any changes to their existing circumstances. Your understanding and acceptance of this was formally declared on completion of the SDS Questionnaire. You may be liable to prosecution if you fail to inform the council of a change in your circumstances which affects your entitlement.</li> <li>● The following points should be considered in the development of the RAS, including at the implementation and post implementation stages. It should be noted that this may not be an exhaustive list: <ul style="list-style-type: none"> <li>○ The sample used, ensuring that it matches the profile of clients in Brent;</li> <li>○ The level of testing required and the test methodology used to gain assurance that the RAS is effective. This may include using completed SDS Questionnaires and comparing allocations to the actual cost of care provided;</li> <li>○ An exception process for cases where the RAS allocation is not sufficient or is excessive. This process could include Quality Assurance Panel approval; and</li> <li>○ The timeframe by which allocations should be reviewed by the Quality Assurance Panel and whether all allocations should be reviewed initially or whether a sample basis is acceptable.</li> </ul> </li> <li>● The following points should be considered in the development of the brokerage scheme. It should be noted that this may not be an exhaustive list: <ul style="list-style-type: none"> <li>○ The need to involve current brokers in the development of a central team;</li> <li>○ The need for specialist officers in the brokerage team for specific types of clients, e.g. Learning Disability and Physical Disability specialists;</li> <li>○ How cases that require brokerage are to be determined by Team Managers and how consistency will be ensured;</li> </ul> </li> </ul> |                   |  |

| Audit | Status as at 2 December 2010   | Assurance Opinion |  |
|-------|--|-------------------|--|
|       | <ul style="list-style-type: none"> <li>○ The location of the brokerage team in relation to Team and Care Managers. If they are not in the same location, management need to determine whether this will impact on the effectiveness of the service;</li> <li>○ The need to formalise the monitoring of cases passed to the brokerage team, in terms of quality and timeliness; and</li> <li>○ The need to complete a lessons learnt review from the experiences in Learning Disabilities.</li> <li>● The required documentation for DP should be clarified and communicated to staff.<br/>Management should determine whether it would be appropriate to combine the current documents that are in place, including: <ul style="list-style-type: none"> <li>○ Direct Payment Agreement;</li> <li>○ Direct Payment Approval Form; and</li> <li>○ Direct Payment Finance Authorisation.</li> </ul> Further, it is recommended that staff are reminded of the need to complete the Direct Payment Agreement form and that these should be uploaded onto the Frameworki system.<br/>In addition, management should review the position with regards to the review of returns and ensure that reports of outstanding returns are run and followed up on a monthly basis. Actions should be agreed in order to clear the current backlog of returns and arrangements should be confirmed in respect of ensuring that returns are reviewed in a complete and timely manner going forwards. If these arrangements involve reviewing returns on the basis of a risk rating for each case, this should be discussed with the Head of Audit &amp; Investigations so as to help ensure that fraud risks are adequately addressed.</li> <li>● The performance management process for individual staff and teams in respect of care reviews should be formalised. This should include the use of defined targets and monitoring against these. Actions should be agreed to address any instances where targets are not being met.</li> </ul> |                   |  |

| Audit          | Status as at 2 December 2010   | Assurance Opinion |   |
|----------------|--|-------------------|---|
|                | <p>In addition, it is also recommended that timeframes should be defined and monitored against for various stages of the SDS process, including detective checks of outstanding items. These may include, but are not necessarily limited to, the following:</p> <ul style="list-style-type: none"> <li>○ Outstanding Contact Assessments following referrals;</li> <li>○ Outstanding six week reviews/SDS Questionnaires;</li> <li>○ Outstanding Support Plans and Personal Budgets;</li> <li>○ Cases where the provision of support is yet to be provided (where necessary); and</li> <li>○ Outstanding scheduled/unscheduled reviews.</li> </ul> <p>Five priority 2 recommendations were also raised where changes can be made in order to achieve greater control.</p> <p><b>All of our recommendations were accepted for implementation by management.</b></p> <p>As such, we didn't provide an assurance opinion when we last audited SDS, but a Limited Assurance was given in respect of Direct Payments. Although the previously raised recommendations have not yet been fully implemented in all cases, there has been overall progression with regards to the development and implementation of SDS, and it is acknowledged that the overall ASC Transformation Programme has been subject to revision since our 2008/09 work.</p> |                   |   |
| Copland School | <p>We have raised five priority 1 recommendations as a result of our work. These are as follows:</p> <ul style="list-style-type: none"> <li>• The School should develop detailed financial policies and procedures. These should include but are not limited to: <ul style="list-style-type: none"> <li>○ Financial Scheme of Delegations;</li> <li>○ Financial Operating Manual; and</li> </ul> </li> </ul>   | Limited           |  |



| Audit | Status as at 2 December 2010  | Assurance Opinion |  |
|-------|---|-------------------|--|
|       | <ul style="list-style-type: none"> <li>○ Best Value Statement.<br/>The financial procedures should be formally approved by the governing body and subject to annual review. In addition, the policies and procedures should be communicated to all members of staff and these should also be made accessible for reference;</li> <li>● Staff should be reminded of the need to ensure that quotes/tenders are obtained in line with the Council's Financial Regulations for Schools and the EU Procurement Rules, and that evidence of the procurement process is retained, in full, in all cases. If the requirement cannot be met due to an exceptional circumstance, then the School should ensure that the requirements for suspending Financial Regulations are followed, subject to compliance with EU Procurement Rules;</li> <li>● Management should review the current arrangement in respect of income and define policies and procedures for the collection of income for catering lettings, music tuition and school trips. Procedures should include: <ul style="list-style-type: none"> <li>○ Staff responsibilities and segregation of duties;</li> <li>○ Validation and verification of cash counts; and</li> <li>○ Reconciliation of income collected to income banked.</li> </ul> </li> <li>● Procedures including threshold value and responsibility for maintaining an inventory of assets should be clarified and a complete inventory should be produced. Inventory checks should also be undertaken by at least two officers, both of whom should sign off the check on completion. If it is not possible for two officers undertake the check, the responsibility for the check should be delegated to an officer independent of the person responsible for maintaining the inventory. In addition, asset disposal procedures should be established and communicated to all staff. For each disposal, a clear record should be maintained, documenting the justification and approval of the disposal, as well as the method of disposal.</li> <li>● Staff should be reminded of the need to obtain all of the necessary</li> </ul> |                   |  |

| Audit                      | Status as at 2 December 2010   | Assurance Opinion |   |
|----------------------------|--|-------------------|---|
|                            | <p>information from new starters including invigilators and any other casual staff so they can be processed by payroll. This should include:</p> <ul style="list-style-type: none"> <li>○ National Insurance Number;</li> <li>○ Proof of right to work in the UK;</li> <li>○ Proof of Address; and</li> <li>○ Bank Account details.</li> </ul> <p>These should be provided in a timely manner so that the necessary payments can be made promptly.</p> <p>In addition, staff should be reminded of the need to upload the results of the CRB checks onto the central register. In any instance where a gap is identified as part of the monthly review by the Headteacher, or alternative delegated officer, this should be followed up as a matter of priority to confirm whether the checks have been completed.</p> <p>Six priority 2 recommendations were also raised where changes can be made in order to achieve greater control.</p> <p><b>All of our recommendations were accepted for implementation by management.</b></p> <p>It should be noted that the School has been through a number of recent changes including the appointment of an Interim Executive Board and key staff members being dismissed or resigning. Although a number of priority 1 and 2 recommendations have been raised which require further action by management, it is positive to note that the interim management team, including the Acting Head Teacher and Acting Bursar, have been taking steps to address control weaknesses inherited from the previous management regime.</p> |                   |   |
| Community Facilities (BHP) | Final<br>Reported separately the BHP's Finance & Audit Sub-Committee   | Nil               |  |

### Audits currently at draft report stage or in progress

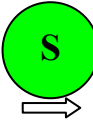



The table below lists those audits for which the management responses to the Draft Report are still in the process of being discussed and agreed, or for which we are still awaiting receipt of these responses, or where the audit is currently in progress. As noted in the Executive Summary, we will update Members on the assurance opinions and key findings at the next meeting once these have been finalised.

| Audit  | Status as at 2 December 2010 |
|--|------------------------------|
| Debt Management                                | Draft Report                 |
| Service Planning and Performance Management    | Draft Report                 |
| Reablement                                     | Draft Report                 |
| CRC Energy Efficiency Scheme                   | Draft Report                 |
| SAS Data Migration (IT)                        | Draft Report                 |
| PC and Laptop Checks (IT)                      | Draft Report                 |
| Contender Application (IT)                     | Draft Report                 |
| Northgate Revenues & Benefits Application (IT) | Draft Report                 |
| Mobile Device Security (IT)                    | Draft Report                 |
| St Gregory's Science College                   | Draft Report                 |
| Kingsbury High School                          | Draft Report                 |
| Jews Free School                               | Draft Report                 |
| Alperton Community School                      | Draft Report                 |
| Claremont High School                          | Draft Report                 |
| Wembley High Technology College                | Draft Report                 |
| Newman Catholic College)                       | Draft Report                 |

| Audit                                    | Status as at 2 December 2010 |
|--|------------------------------|
| Convent of Jesus & Mary Language College | Draft Report                 |
| Queen Park Community School              | Draft Report                 |
| BHP – Recruitment                        | Draft Report                 |
| BHP – Budget Monitoring                  | Draft Report                 |
| Treasury Management                      | In Progress.                 |
| Early Year Single Funding Formula        | In Progress.                 |
| IP Telephony (IT)                        | In Progress.                 |
| Interact Payroll (IT)                    | In Progress.                 |
| Direct Payments – Children Social Care   | In Progress                  |
| Fostering & Adoption Payments            | In Progress                  |
| Licensing                                | In Progress                  |
| Fostering & Adoption Payments            | In Progress                  |
| Licensing                                | In Progress                  |
| Rent Arrears Management (BHP)            | In Progress                  |
| Capital Budgeting                        | In Progress                  |
| Cash & Bank                              | In Progress                  |
| Council Tax                              | In Progress                  |
| NNDR                                     | In Progress                  |
| Repairs and Maintenance (BHP)            | In Progress                  |
| Kingsbury Green Primary School           | In Progress                  |
| Mount Stewart Infants School             | In Progress                  |
| Braintcroft Primary School               | In Progress                  |

Audits previously reported to Committee as final

The table below sets out those audits from the 2010/11 Internal Audit Plan which have previously been reported to the Committee as final. They are included here so as to provide Members with an overview of the work completed for the year to date, together with the assurance opinions awarded.

| Audit                                 | Status as at the December 2010   | Assurance Opinion   |
|---------------------------------------|--|---|
| Traffic Management                    | Final Report.<br>Previously reported to the Audit Committee in September 2010. | Substantial  |
| Housing Provision for 16-17 year olds | Final Report.<br>Previously reported to the Audit Committee in September 2010. | Substantial  |
| School Admissions                     | Final Report.<br>Previously reported to the Audit Committee in September 2010. | Substantial  |
| Experian Payments Gateway (IT)        | Final Report.<br>Previously reported to the Audit Committee in September 2010. | Substantial  |

## Follow-Up of Previously Raised Recommendations

The table below provides a summary of the findings from the follow-up work completed during the year to date, excluding any BHP recommendations.

Our approach is explained within the Executive Summary. Recommendations are classified as either Implemented (I); Partly Implemented (PI); Not Implemented (NI); or in some cases no longer applicable (N/A), for example if there has been a change in the systems used.

For any recommendations found to have only been partly implemented or not implemented at all, further actions have been raised with management. As such, we have included all recommendations followed-up to date, including Draft Follow-Up Reports, as well as those that have been finalised. Where the reports have been finalised, the further actions have been agreed with management, including revised deadlines and responsible officers. For those at Draft stage, we are awaiting responses from management. All agreed further actions will be added to our rolling follow-up programme as explained in the Executive Summary to this report.

The table includes a column to highlight any priority 1 recommendations which were found not to have been fully implemented. Please note that we have not replicated the full recommendation, only the general issue to which they relate.

| Audit Title                                 | Priority 1 |    |    | Priority 2 |    |    | Priority 3 |    |    | Total |    |    |     | Priority 1 Recommendations not implemented |
|---|------------|----|----|------------|----|----|------------|----|----|-------|----|----|-----|--|
|   | I          | PI | NI | I          | PI | NI | I          | PI | NI | I     | PI | NI | N/A |  |
| Waste Management                            | 3          | -  | -  | 1          | -  | -  | -          | -  | -  | 4     | -  | -  | -   | N/A  |
| Blue Badges                                 | 1          | 1  | -  | 1          | 1  | -  | -          | -  | -  | 2     | 2  | -  | -   | N/A  |
| Freedom Passes                              | 3          | -  | -  | 3          | 1  | -  | 1          | 1  | -  | 7     | 2  | -  | -   | N/A  |
| Joint Commissioning                         | 2          | -  | -  | 1          | -  | -  | -          | -  | -  | 3     | -  | -  | -   | N/A  |
| Section 106                                 | 1          | 2  | -  | -          | 2  | 1  | -          | -  | -  | 1     | 4  | 1  | -   | N/A  |
| Traffic Management                          | 1          | 1  | -  | 3          | 3  | -  | 1          | -  | -  | 5     | 4  | -  | 1   | N/A  |
| Curzon Crescent Children's Centre / Nursery | 3          | 4  | -  | 3          | 2  | 3  | 1          | -  | -  | 7     | 6  | 3  | 2   | N/A  |
| Complaints                                  | 1          | 3  | -  | 2          | 4  | -  | -          | -  | -  | 3     | 7  | -  | -   | N/A  |
| Bulky Waste                                 | 2          |    |    |            |    |    |            |    |    | 2     |    |    | 1   | N/A  |
| Recruitment (DRAFT)                         | 2          | 1  | -  | 3          | 1  | 1  | -          | -  | -  | 5     | 2  | 1  | -   | N/A  |
| Appointeeships &                            | 1          | -  | -  | 2          | 2  | -  | -          | -  | -  | 3     | 2  | -  | -   | N/A  |

| Audit Title                             | Priority 1 |           |          | Priority 2 |           |           | Priority 3 |          |          | Total     |           |           |          | Priority 1 Recommendations not implemented |
|---|------------|-----------|----------|------------|-----------|-----------|------------|----------|----------|-----------|-----------|-----------|----------|--|
|   | I          | PI        | NI       | I          | PI        | NI        | I          | PI       | NI       | I         | PI        | NI        | N/A      |  |
| Deputyships                             |            |           |          |            |           |           |            |          |          |           |           |           |          |  |
| Facilities Management (DRAFT)           | -          | 1         | -        | 1          | 3         | 1         | -          | -        | -        | 1         | 4         | 1         | -        | N/A  |
| Corporate Health & Safety (DRAFT)       | 2          | 1         | -        | -          | -         | -         | -          | -        | -        | 2         | 1         | -         | -        | N/A  |
| Private Procurement (DRAFT) Sector Team | 2          | 1         |          | 3          | 2         |           |            |          |          | 5         | 3         |           |          | N/A  |
| BCP (DRAFT)                             |            | 1         |          |            |           | 2         |            |          |          |           | 1         | 2         |          | N/A  |
| Transportation                          | 1          |           |          | 2          |           |           | 1          |          |          | 4         |           |           |          | N/A  |
| Registration and Nationality            | 1          | 2         |          | 4          |           |           |            |          |          | 5         | 2         |           |          | N/A  |
| BCP (BHP) (DRAFT)                       |            |           |          | 1          | 3         |           |            | 1        |          | 1         | 4         |           |          | N/A  |
| Bankline Application (IT Audit)         |            |           |          |            |           |           | 1          |          |          | 1         |           |           |          | N/A  |
| Leasehold Management (BHP)              |            |           |          | 5          | 1         | 2         |            |          |          |           |           |           |          | N/A  |
|   | <b>27</b>  | <b>19</b> | <b>-</b> | <b>42</b>  | <b>25</b> | <b>10</b> | <b>8</b>   | <b>2</b> | <b>-</b> | <b>77</b> | <b>46</b> | <b>10</b> | <b>4</b> |  |

Two additional follow-up exercises for which the reports are still at Draft stage relate to the following audits:

- Schools Thematic Work on Procurement; and
- Children & Families Imprest Accounts.

Both reports were issued at the end of March 2010. Management responses to the further actions required have been chased, but are yet to be received. The status of implementation for these recommendations is as follows:

| Audit Title                                  | Priority 1 |    |    | Priority 2 |    |    | Priority 3 |    |    | Total |    |    |     | Priority 1 Recommendations not implemented                                     |
|--|------------|----|----|------------|----|----|------------|----|----|-------|----|----|-----|--|
|  | I          | PI | NI | I          | PI | NI | I          | PI | NI | I     | PI | NI | N/A |  |
| Children & Families Imprest Accounts (DRAFT) | 2          | 1  | 1  | 2          | 4  |    | 2          |    |    | 6     | 5  | 1  |     | <ul style="list-style-type: none"> <li>• Authorised Signatory List.</li> </ul> |

For the Schools Thematic Work on Procurement, we did not raise recommendations in our standard format and priorities were not assigned. Instead, management developed an action plan in response to our findings. From the follow-up work undertaken, limited progress has been made against these actions.



## Customer Satisfaction

We set out below a breakdown of the feedback received through the Customer Satisfaction Questionnaires, as completed by auditees for work undertaken to date by Deloitte against the 2010/11 Internal Audit Plan.

5 = Excellent; 4 = Very Good; 3 = Satisfactory; 2 = Potential for Improvement; and 1 = Unsatisfactory.

| Audit                                | Sufficient notice was provided prior to the start of the audit | Communication of audit objectives, purpose and scope | Effectiveness and professionalism of the auditor(s) | Auditor(s) understanding of the service you provide | Quality of exit meeting and discussion of report findings | Quality, accuracy and usefulness of the report | Overall opinion of the audit |
|--------------------------------------|--|--|---|---|---|--|------------------------------|
| Traffic Management                   | 5  | 4  | 5   | 5   | 5   | 4  | <b>5</b>                     |
| Housing Provision                    | 4  | 4  | 5   | 5   | 4   | 5  | <b>5</b>                     |
| CRC Energy Efficiency Scheme         | 5  | 5  | 5   | 5   | 5   | 5  | <b>5</b>                     |
| Local Area Agreement Data Management | 5  | 5  | 5   | 4   | 5   | 5  | <b>5</b>                     |
| Self Directed Support                | 5  | 5  | 5   | 5   | 5   | 4  | <b>4</b>                     |
| Sports and Leisure Centre            | 4  | 5  | 5   | 4   | 5   | 5  | <b>4</b>                     |

## Appendix A – Audit Team and Contact Details

| London Borough of Brent                     | Contact Details  |
|---|--|
| Simon Lane – Head of Audit & Investigations | ✉ <a href="mailto:simon.lane@brent.gov.uk">simon.lane@brent.gov.uk</a>   |
| Aina Uduehi – Audit Manager                 | ☎ 020 8937 1260  |
|   | ✉ <a href="mailto:aina.uduehi@brent.gov.uk">aina.uduehi@brent.gov.uk</a> |
|   | ☎ 020 8937 1495  |

| Deloitte & Touche Public Sector Internal Audit Limited | Contact Details  |
|--|--|
| Richard Evans – General Manager                        | ✉ <a href="mailto:phil.lawson@brent.gov.uk">phil.lawson@brent.gov.uk</a> |
| Phil Lawson – Senior Audit Manager                     | ☎ 020 8937 1493  |
| Shahab Hussein – Senior Computer Audit Manager         |  |

## Appendix B – Progress Against the 2010/11 Internal Audit Plan

The table below sets out the detailed progress made against the agreed 2010/11 Internal Audit Plan, together with an indication of any instances where an audit has been removed from the Plan, any where an audit has been added or the planned days amended, and also any for which the planned timing has had to be amended. All amendments against the originally agreed Plan are shown in italics.

**Table 1 – Overall Plan**

| AUDIT   | DAYS | PROPOSED COVERAGE   | INITIAL KEY CONTACT                                  | PROPOSED TIMING | STATUS AS AT 2 DECEMBER 2010   |
|---|------|---|--|-----------------|--|
| <b>CROSS COUNCIL AUDITS (87 Days) (reduced to 72)</b> |      |   |  |                 |  |
| Conflicts of Interest                                 | 12   | To focus on the controls in place with regards to ensuring that officers and Members avoid any conflicts of interest in their respective roles and responsibilities. Specifically, the controls for ensuring that officers and Members declare any interests / gifts & hospitality; that gifts & hospitality are only accepted in line with Council policy; and that appropriate follow-up actions are taken to ensure that any officers or Members declaring interests / gifts & hospitality are operating in an appropriate manner. | Tracey Connage – Assistant Director, Human Resources | Qtr 2/3         | Audit scheduled for 3 <sup>rd</sup> quarter. However Assistant Director of Finance wants audit to be postponed to next financial year. |
| Service Planning and Performance Management           | 20   | To focus on the controls in place across the Council with regards to the formulation of service plans and the performance   | Cathy Tyson – Assistant Director, Policy             | Qtr 2/3         | Draft  |

| AUDIT                        | DAYS | PROPOSED COVERAGE   | INITIAL KEY CONTACT                                  | PROPOSED TIMING                 | STATUS AS AT 2 DECEMBER 2010 |
|------------------------------|------|---|--|---------------------------------|------------------------------|
|                              |      | <p>management arrangements surrounding the delivery of these. Specifically, the controls in place around ensuring that service priorities are in line with the Corporate Strategy; that service priorities meet the needs of the borough's residents and other key stakeholders; that service priorities are realistic and achievable from a funding and resource perspective; and that agreed service priorities are delivered/achieved in a full and timely manner.</p> <p>It should be noted that the performance management aspects of this audit will only be covered at a high level and will focus on the controls in place around monitoring the achievement of the primary level service priorities across the Service Areas, including the arrangements for reporting and corrective actions where appropriate.</p> |  |                                 |                              |
| Business Continuity Planning | 10   | Business Continuity Planning (BCP) was previously audited in 2007/08 and 2008/09, following the inception of the BCP project in February 2007. This audit will now check on the further   | Martyn Horne – Head of Emergency Planning & Business | Qtr 3 ( <i>moved to Qtr 2</i> ) | Final                        |

| AUDIT                        | DAYS                 | PROPOSED COVERAGE   | INITIAL KEY CONTACT                                       | PROPOSED TIMING  | STATUS AS AT 2 DECEMBER 2010                                     |
|------------------------------|----------------------|---|---|------------------|--|
|                              |                      | developments that have taken place, assessing the extent to which the arrangements have been embedded across the Council.   | Continuity  |                  |  |
| CRC Energy Efficiency Scheme | 15                   | <p>To focus on the controls in place around the gathering, compilation and validation of required data as part of the submission of the 'year 1' figures to the Environment Agency (EA).</p> <p>In addition, we will check on progress against the Action Plan being agreed as part of the 2009/10 work in this area, as well as assessing the apparent adequacy of the evidence pack compiled to support the figures reported (although this would provide no guarantee as to the outcome should the Council be selected for an audit by the EA).</p> <p>The specific timing is to be determined, but should fall within the reporting window of 1 April to 30 September 2010.</p> | Duncan McLeod – Director of Finance & Corporate Resources | Qtr 1/2          | Draft  |
| Grants                       | 15<br>(reduced to 0) | This allocation of days has been included within the Plan following discussions with the Audit Commission regarding their grants certification work.  | To be determined  | To be determined | Audit removed from the Plan following discussions with the Audit |

| AUDIT | DAYS | PROPOSED COVERAGE  | INITIAL KEY CONTACT | PROPOSED TIMING | STATUS AS AT 2 DECEMBER 2010   |
|-------|------|--|---------------------|-----------------|--|
|       |      | <p>The aim is to determine, in conjunction with the Audit Commission, whether Internal Audit work can be undertaken in respect of the systems in place to compile grant claims, i.e. the controls in place around the gathering, verification and reporting of data, thereby reducing the work required to be undertaken by the Audit Commission as part of the certification process.</p> <p>Further discussion will take place once the list of grants requiring certification in 2010/11 has been published. Selection of grants, if appropriate, would be on the basis of risk and hence the time that would normally be required to be spent on such work by the Audit Commission.</p> <p>Dependant upon the robustness of the existing controls, the benefits of such an approach may either be realised within the 2010/11 financial year, or potentially in future years if it is necessary for management to address weaknesses before the Audit Commission can place reliance on them.</p> |                     |                 | Commission regarding proposed involvement. They will undertake the work as normal. |

| AUDIT                               | DAYS | PROPOSED COVERAGE  | INITIAL KEY CONTACT                                     | PROPOSED TIMING  | STATUS AS AT 2 DECEMBER 2010 |
|-------------------------------------|------|--|---|------------------|------------------------------|
| Annual Governance Statement         | 15   | Formulation of the Annual Governance Statement through the co-ordination of the completion of the Certificates of Assurance by Directors and the annual review of the Council's Corporate Governance Action Plan.  | Simon Lane – Head of Audit & Investigations / Directors | Qtr 4            | N/A                          |
| <b>CROSS BOROUGH WORK (20 Days)</b> |      |  |   |                  |                              |
| Cross Borough Work                  | 20   | <p>This allocation of days has been included within the Plan to allow for the completion of work across the members of the West London Internal Audit Framework.</p> <p>At this stage, specific areas of focus have not been determined and this will be considered during the course of the year in conjunction with the Directors of Finance and Heads of Audit.</p> <p>Two possible areas for consideration, as suggested by the Director of Housing &amp; Community Care, are the West London Procurement Project and Supporting People.</p> | To be determined  | To be determined | N/A                          |
|                                     |      |  |   |                  |                              |

| AUDIT   | DAYS | PROPOSED COVERAGE   | INITIAL KEY CONTACT                                     | PROPOSED TIMING                 | STATUS AS AT 2 DECEMBER 2010 |
|---|------|---|---|---------------------------------|------------------------------|
| <b>FINANCE &amp; CORPORATE RESOURCES (125 Days)</b> |      |   |   |                                 |                              |
| Council Tax   | 15   | Annual systems audit focussing on key controls and any systems changes.   | Paula Buckley – Head of Client Team, Revenue & Benefits | Qtr 3                           | In Progress                  |
| NNDR  | 15   | Annual systems audit focussing on key controls and any systems changes.   | Paula Buckley – Head of Client Team, Revenue & Benefits | Qtr 3                           | In Progress                  |
| Housing & Council Tax Benefits                      | 15   | Annual systems audit focussing on key controls and any systems changes.   | David Oates – Head of Benefits, Revenue & Benefits      | Qtr 4                           | Date to be agreed            |
| Treasury Management                                 | 10   | Annual systems audit focussing on key controls and any systems changes.   | Martin Spriggs – Head of Exchequer & Investment         | Qtr 1 ( <i>moved to Qtr 2</i> ) | In Progress                  |
| Debt Management                                     | 10   | This audit follows on from our initial work undertaken in 2009/10 to assess the adequacy of the controls being designed and placed into operation by the new corporate Sundry Debt Recovery Team (SDRT).<br><br>This audit will check on the extent to which the control processes have been further developed, in line with the action plan agreed as part of the 2009/10 work. Adequacy will be | Sarah Cardno – Exchequer Services Manager               | Qtr 3 ( <i>moved to Qtr 2</i> ) | Draft                        |



| AUDIT   | DAYS | PROPOSED COVERAGE  | INITIAL KEY CONTACT  | PROPOSED TIMING | STATUS AS AT 2 DECEMBER 2010 |
|---|------|--|--|-----------------|------------------------------|
|   |      | reassessed and the effectiveness of controls evaluated.  |  |                 |                              |
| Capital Budgeting   | 10   | To focus on the controls in place around the setting and management of the budget for the overall capital programme and specific projects within it.   | Mark Peart – Head of Financial Management / Paul May – Capital Accountant  | Qtr 2           | In Progress                  |
| <b>Migration to the Single Accounting System and Key Financial Systems work post 1 September 2010</b> | 50   | As detailed in the main body of the report, at this stage, it is anticipated that coverage will be needed in relation to the migration to the single accounting system and then in respect of the revised financial management structures post 1 September 2010. Work in relation to the migration is likely to be combined between general audit and computer audit. The specific areas of coverage will be agreed during the course of the year. | Duncan Mcleod – Director of Finance & Corporate Resources / Mick Bowden – Deputy Director of Finance & Corporate Resources | Qtr 3/4         | Audit Brief issued           |
| <b>CHILDREN &amp; FAMILIES (240 Days) (increased to 282)</b>  |      |  |  |                 |                              |
| School Audits and FMSiS Assessments – Secondary (Foundation) Schools                                  | 88   | Completion of joint audits and FMSiS assessments for the remaining seven secondary (Foundation) schools. The audit will allow additional coverage in high risk areas.  | Bharat Jashapara – Head of Finance, Children & Families  | Across the year | In Progress.                 |

| AUDIT  | DAYS                            | PROPOSED COVERAGE  | INITIAL KEY CONTACT                                     | PROPOSED TIMING | STATUS AS AT 2 DECEMBER 2010   |
|--|---------------------------------|--|---|-----------------|--|
|  |                                 | Estimation at this stage is for an allocation of 12 days per school. Allocation of days includes time for liaising with Education Finance with regards to any issues arising from the work during the course of the year.  |   |                 |  |
| School Audits – Primary (Foundation) Schools                           | 20                              | Completion of audits for two primary (Foundation) schools, one of which will also be re-assessed under the FMSiS following a 'Fail' in 2009/10. Estimation at this stage is for an allocation of 8 days for the school only requiring an audit and 12 for the school needing an audit and FMSiS re-assessment.       | Bharat Jashapara – Head of Finance, Children & Families | Across the year | N/A  |
| FMSiS re-assessments for primary/junior schools that failed in 2009/10 | 15<br><i>(reduced to 0)</i>     | <i>It was originally anticipated that a total of five schools were going to receive a 'Fail' against the FMSiS in 2009/10 (in addition to the one primary Foundation school above). At this stage, that has not been the case, although the position is still under review. For now, the days have been removed.</i> | Bharat Jashapara – Head of Finance, Children & Families | Across the year | Days removed from the Plan as explained under the updated 'Proposed Coverage'. |
| School Audits and FMSiS Assessments – primary/junior schools           | 18<br><i>(increased to 110)</i> | Completion of joint audits and FMSiS assessments for the three primary/junior schools that   | Bharat Jashapara – Head of Finance, Children & Families | Qtr 4           | Although FMSiS Assessments will not take place,                                |

| AUDIT                                  | DAYS                        | PROPOSED COVERAGE  | INITIAL KEY CONTACT   | PROPOSED TIMING  | STATUS AS AT 2 DECEMBER 2010  |
|--|-----------------------------|--|---|------------------|---|
| due for their three year re-assessment |                             | <p>initially gained a 'Pass' at the end of the 2007/08 financial year and who are therefore due their three year re-assessment.</p> <p><i>The original estimation was for an allocation of six days per school. This was based on the volume of primary and junior schools that will require re-assessing over the following two years. The audit will allow additional coverage in high risk areas. However, on the basis of the work undertaken with the Foundation schools, it is now estimated that 10 days will be required per school.</i></p> <p><i>Given the increase in the overall contingency balance, the number of schools has been increased from three to 11. This will help to reduce the number of days needing to be allocated to re-assessments in the following two financial years.</i></p> |   |                  | Internal Audit Programme will still be completed,   |
| Schools Thematic Work                  | 15<br><i>(reduced to 0)</i> | To focus on a specific theme(s) and visit a sample of schools to either assess compliance with the requirements of the Financial Regulations for Schools, or to assess the adequacy and effectiveness of   | Bharat Jashapara<br>– Head of Finance,<br>Children & Families | To be determined | Days removed from the Plan so as to allow additional time to be spent on undertaking Internal Audit |

| AUDIT  | DAYS                        | PROPOSED COVERAGE   | INITIAL KEY CONTACT  | PROPOSED TIMING  | STATUS AS AT 2 DECEMBER 2010  |
|--|-----------------------------|---|--|------------------|---|
|  |                             | <p>controls in respect of fraud and non-fraud risks in that area.</p> <p>A specific theme(s) has yet to be determined, but will be derived from an analysis of key areas of weakness identified across the schools in recent years, including through the audits being undertaken with the Foundation schools at the current time and in the first quarter of 2010/11.</p> <p>Thematic work was previously undertaken in 2008/09, focussing on Procurement and compliance with the Financial Regulations for Schools.</p> |  |                  | <p>work for primary/junior schools.</p> <p>This will help reduce the total number of days required to be allocated to such work over the course of the following two financial years.</p> |
| Building Schools for the Future (Contract Audit) | 10<br><i>(reduced to 0)</i> | <p>An initial high level audit of the programme within Brent. Further audit work will be undertaken as the programme progresses, including looking at specific projects within this, but contracts are not due to be in place during 2010/11.</p> <p>Contract audit work has previously been undertaken in relation to a number of schools capital projects, including the construction of the Ark Academy.</p>   | Saiyyidah Stone – Assistance Director, Building Schools for the Future | To be determined | Audit removed from the Plan given the decision by the Government to end the scheme.   |

| AUDIT                            | DAYS | PROPOSED COVERAGE   | INITIAL KEY CONTACT  | PROPOSED TIMING                   | STATUS AS AT 2 DECEMBER 2010                          |
|----------------------------------|------|---|--|-----------------------------------|---|
| Common Assessment Framework      | 10   | <p>This area was previously audited in 2008/09, looking at the controls being put in place as part of the implementation of the Framework, as well as the overall management of the implementation project.</p> <p>This audit will now check on the further developments that have taken place, assessing the extent to which the Framework has been embedded. In addition, we understand that the area is subject to a restructure and hence the systems of control may be subject to amendment.</p> | Krutika Pau – Assistant Director, Strategy & Partnerships/<br>Christiana Baafuo-Awuah – Integrated Services Manager  | Qtr 3                             | Awaiting response from management re audit start date |
| Direct Payments and Respite Care | 12   | To focus on the controls in place around direct payments and the provision of respite care to children, including the assessment of eligibility; payment/provision; and monitoring of outcomes.   | Rik Boxer – Assistant Director, Achievement & Inclusion / Graham Genoni – Assistant Director, Social Care            | Qtr 1 ( <i>moved to Qtr 2/3</i> ) | In Progress.  |
| School Admissions                | 10   | From September 2010, a change in admissions legislation (Admissions Code 2009) requires all 'in-year' applications for school places to be made through the Local Authority. Previously this was done directly with the schools.  | Mustafa Salih – Assistant Director, Finance & Performance / Carmen Coffey – Head of Communication & Support Services | Qtr 1                             | Final Report issued.                                  |

| AUDIT                                     | DAYS | PROPOSED COVERAGE  | INITIAL KEY CONTACT                                     | PROPOSED TIMING | STATUS AS AT 2 DECEMBER 2010  |
|---|------|--|---|-----------------|---|
|   |      | The audit will assess the adequacy of the controls put in place to administer this, as well as the wider admissions process.   |   |                 |   |
| Youth Service and Connexions Amalgamation | 10   | The specific coverage is still to be discussed and agreed with the Assistant Director, Achievement & Inclusion, but will relate to the forthcoming amalgamation of the Youth Service and Connexions, focusing on the adequacy and effectiveness of the systems of control that are created as a result of this. Specific focus is likely to be around financial management controls. | Rik Boxer – Assistant Director, Achievement & Inclusion | Qtr 3           | Unlikely to go ahead now due to issues relating to Connexions. To be confirmed with Rik Boxer whether this audit is still required. |
| Fostering & Adoption Payments             | 10   | The specific coverage is still to be discussed and agreed with the Assistant Director, Social Care, but will relate to the controls in place around payments to foster carers and adopters.<br><br>This follows previous work in this area and will assess the adequacy and effectiveness of the controls that management have been further developing.                              | Graham Genoni – Assistant Director, Social Care         | Qtr 2/3         | In Progress.  |

| AUDIT                                      | DAYS | PROPOSED COVERAGE  | INITIAL KEY CONTACT   | PROPOSED TIMING    | STATUS AS AT 2 DECEMBER 2010  |
|--|------|--|---|--------------------|---|
| 14-19 Provision                            | 12   | The specific coverage is still to be discussed and agreed with the Assistant Director, Strategy & Partnerships, but will relate to the new arrangements from 2010/11, in respect of the Local Authority taking responsibility for the commissioning of services for 14-19 year olds, as previously within the remit of the Learning & Skills Council (LSC) | Krutika Pau – Assistant Director, Strategy & Partnerships / Sarah Mansuralli – Head of Joint Strategy & Commissioning | Qtr 3              | This may now be replaced with 6 <sup>th</sup> form pupil numbers certification work for the Young People's Learning Agency (YPLA) funding. Waiting for the Council's decision.    |
| Early Years Single Funding Formula         | 10   | To focus on the controls in place over the application of the formula, including the setting of rates and the collection and validation of data from service providers.  | Mustafa Salih – Assistant Director, Finance & Performance   | Qtr 1 and on going | In Progress.  |
|  |      |  |   |                    |   |
| <b>ENVIRONMENT &amp; CULTURE (60 Days)</b> |      |  |   |                    |   |
| Parking                                    | 20   | The specific area of focus is still to be determined with the Assistant Director, Streets & Transportation.<br><br>Potential areas include parking enforcement; on/off street meters; parking permits; and management of the parking enforcement contract.<br><br>However, from initial discussions, we understand that the Parking Service is going to    | Irfan Malik – Assistant Director, Streets & Transportation  | To be determined   | Consultant's report has now been issued which contains a number of recommendations . A meeting has been requested to discuss the expected changes in more detail to determine the |

| AUDIT     | DAYS | PROPOSED COVERAGE  | INITIAL KEY CONTACT                                     | PROPOSED TIMING | STATUS AS AT 2 DECEMBER 2010  |
|-----------|------|--|---|-----------------|---|
|           |      | <p>be subject to a Lean Fundamentals review. As was the case when BHP undertook a similar style review of their responsive repairs function, an initial suggestion is that it may therefore be appropriate for us to undertake work to assess the adequacy of controls as part of any planned revisions to the current ways of working. Such work may be followed by a standard systems based audit following the implementation of any revisions.</p> <p>The number of days allocated may be adjusted depending on the agreed areas of focus and/or approach.</p> |   |                 | scope.  |
| Libraries | 20   | <p>To focus on the systems of control in place following the recent restructuring of the Library Service, including the controls in place centrally to ensure compliance across individual libraries.</p> <p>As part of the audit we may also visit a sample of libraries to assess the adequacy and effectiveness of controls being operated locally. This will be discussed and agreed with</p>  | Sue Harper – Assistant Director, Leisure & Regeneration | Qtr 4           | To be determined whether still relevant in light of proposed changes. |



| AUDIT              | DAYS | PROPOSED COVERAGE   | INITIAL KEY CONTACT  | PROPOSED TIMING | STATUS AS AT 2 DECEMBER 2010 |
|--------------------|------|---|--|-----------------|------------------------------|
|                    |      | management at the time the audit is being planned.  |  |                 |                              |
| Licensing          | 12   | To focus on the controls in place around the award of licenses; monitoring compliance with license conditions; enforcement actions; income collection; and budget monitoring.<br><br>The range of licenses to be focused on is still to be determined.  | Geoff Galilee –<br>Service Unit<br>Director, Health,<br>Safety & Licensing | Qtr 2           | In Progress                  |
| Traffic Management | 8    | This audit follows on from our initial work undertaken in 2009/10 around the preparedness of the Council in relation to the implementation of the London operational Permit Scheme (LoPS).<br><br>This audit will check on the extent to which the control processes have been further developed, in line with the action plan agreed as part of the 2009/10 work. Adequacy will be reassessed and the effectiveness of controls evaluated. | Irfan Malik –<br>Assistant Director,<br>Streets &<br>Transportation        | Qtr 2           | Final Report issued.         |
|                    |      |   |  |                 |                              |

| AUDIT                                 | DAYS | PROPOSED COVERAGE  | INITIAL KEY CONTACT  | PROPOSED TIMING         | STATUS AS AT 2 DECEMBER 2010  |
|---------------------------------------|------|--|--|-------------------------|---|
| <b>HOUSING (32 Days)</b>              |      |  |  |                         |   |
| Temporary Accommodation               | 10   | Specific coverage is still to be discussed and agreed with the Assistant Director, Housing Needs / Private Sector, but will relate to the ongoing work being undertaken to reduce the numbers in temporary accommodation and the management of budgets in association with this.                     | Perry Singh – Assistant Director, Housing Needs / Private Sector / Helen Clitheroe – Head of HRC | Qtr 4                   | N/A   |
| Housing PFI                           | 10   | To focus on the controls in place around the high level management and oversight of the Housing PFI, as being delivered by the Brent Coefficient, a consortium of Hyde Housing Group and Bouygues UK Limited.  | Maggie Rafalowicz – Assistant Director, Housing Strategy & Regeneration                          | Qtr 3/ To be determined | Not yet clear what impact changes in corporate structure will have on this audit. |
| Housing Provision for 16-17 year olds | 12   | Specific coverage is still to be discussed and agreed with the Assistant Director, Housing Needs / Private Sector, but will relate to the work being undertaken by Housing, in conjunction with Children & Families, in relation to the provision of housing support for 16-17 year olds who present | Perry Singh – Assistant Director, Housing Needs / Private Sector                                 | Qtr 1                   | Final Report issued.  |

| AUDIT  | DAYS | PROPOSED COVERAGE  | INITIAL KEY CONTACT                                   | PROPOSED TIMING                 | STATUS AS AT 2 DECEMBER 2010                          |
|--|------|--|---|---------------------------------|---|
|  |      | themselves as homeless. Various pieces of legislation are relevant, together with the 'Southwark Judgement' made by the House of Lords on 20 May 2009.   |   |                                 |   |
| <b>COMMUNITY CARE (80 Days) (reduced to 70)</b>          |      |  |   |                                 |   |
| Transformation – Self Directed Support / Direct Payments | 15   | To focus on the progress made in the development and implementation of the systems of control in respect of Self Directed Support.<br><br>This area was previously audited as part of the 2008/09 Plan and this further work has been postponed from 2009/10.<br><br>The work will also include a follow-up of the work that was undertaken around Direct Payments in 2008/09. | Lance Douglas – Assistant Director, Quality & Support | Qtr 1                           | Final Report issued.                                  |
| Transformation – Reablement                              | 8    | To focus on the progress made in the development and implementation of the systems of control in respect of Reablement.<br><br>This area has been audited as part of the 2009/10 Plan.   | Lance Douglas – Assistant Director, Quality & Support | Qtr 4 ( <i>moved to Qtr 3</i> ) | Draft Report issued. Waiting for management response. |

| AUDIT                                | DAYS                        | PROPOSED COVERAGE   | INITIAL KEY CONTACT                                   | PROPOSED TIMING  | STATUS AS AT 2 DECEMBER 2010   |
|--------------------------------------|-----------------------------|---|---|--|--|
| Transformation – Community Equipment | 10<br><i>(reduced to 0)</i> | <p>To focus on the adequacy of the systems of control being designed and placed into operation in respect of the Community Equipment workstream of the Transformation Programme.</p> <p>This area is a new addition to the Transformation Programme and has not been looked at previously.</p> <p><i>We have now discussed this further with the key contact and it has been agreed that the work will be undertaken in two stages. The first will focus on the adequacy of what is being designed, as above. The second stage will then take place once the controls have been implemented, so as to also assess the effectiveness of their operation.</i></p> | Lance Douglas – Assistant Director, Quality & Support | To be determined ( <i>first stage was confirmed for Qtr 2 but may now be postponed, second stage may take place in Qtr 4</i> ) | Audit removed from the Plan given the decision by the Council not to go ahead with the proposed new service model. |
| Establishments Thematic Work         | 20                          | To focus on specific themes and visit a sample of establishments to either assess compliance with the requirements of the Financial Regulations, or to assess the adequacy and effectiveness of controls in respect of fraud and non-fraud risks in that area.  | Alison Elliot – Assistant Director, Community Care    | Q4   | N/A  |

| AUDIT                      | DAYS                        | PROPOSED COVERAGE  | INITIAL KEY CONTACT  | PROPOSED TIMING | STATUS AS AT 2 DECEMBER 2010   |
|----------------------------|-----------------------------|--|--|-----------------|--|
|                            |                             | <p>Specific themes have yet to be determined, but will be derived from an analysis of key areas of weakness identified across the establishments in recent years. Initial indications from the Director of Housing &amp; Community Care are that procurement, budgetary control and the recruitment of agency staff would be key areas for consideration.</p> <p>This work will follow on from our establishments work in 2009/10 which has involved producing a summary report of the key areas of weakness, together with added guidance around the controls that should be in place to address these.</p> |  |                 |  |
| Adult Assessment Framework | 15<br><i>(reduced to 0)</i> | To focus on the controls in place around the assessment and monitoring of adults and older people, taking account of the changes made through the Transformation Programme.  | Alison Elliot – Assistant Director, Community Care / Lance Douglas – Assistant Director, Quality & Support | Qtr 2           | Audit removed from the Plan following discussions with the key contacts. Determined that sufficient coverage as part of the Self Directed Support / Direct Payments. |

| AUDIT                                     | DAYS                 | PROPOSED COVERAGE   | INITIAL KEY CONTACT  | PROPOSED TIMING         | STATUS AS AT 2 DECEMBER 2010   |
|---|----------------------|---|--|-------------------------|--|
| Use of Frameworki                         | 12<br>(Reduced to 0) | Specific coverage is still to be discussed and agreed with the Assistant Director, Community Care and the Assistant Director, Quality & Support, but will relate to the controls in place around the use of Frameworki and the monitoring of such usage.<br><br>Previous internal audit work has been undertaken from an IT perspective, in terms of the application itself, whereas this audit is to focus on usage from an operational perspective. | Alison Elliot – Assistant Director, Community Care / Lance Douglas – Assistant Director, Quality & Support | N/A                     | Audit removed from the Plan given the usage of information held on Framework i is partly covered in individual audits. |
| <b>BUSINESS TRANSFORMATION (192 Days)</b> |                      |   |  |                         |  |
| IT  | 155                  | A Computer Audit Needs Assessment has been undertaken in conjunction with ITU to refresh our strategic IT Plan.<br><br>The Plan for 2010/11 is detailed separately within Table 2.  | <i>Separate IT Plan</i>  | <i>Separate IT Plan</i> | N/A  |
| Payroll                                   | 15                   | Annual systems audit focussing on key controls and any systems changes.   | Simon Britton – Head of The People Centre / Barry Hilder – Head of Payroll                                 | Qtr 3                   | N/A  |

| AUDIT   | DAYS | PROPOSED COVERAGE  | INITIAL KEY CONTACT  | PROPOSED TIMING  | STATUS AS AT 2 DECEMBER 2010  |
|---|------|--|--|------------------|---|
| Pensions Administration   | 10   | Highlighted by the Audit Commission as a high risk area they would like included within the Plan.  | Simon Britton – Head of The People Centre / Andy Gray – Pensions Manager | Qtr 4            | Audit confirmed to commence in late January 2010  |
| Civic Centre (Contract Audit)                                       | 12   | To focus on the controls in place over the management of the project for constructing the new Civic Centre.<br><br>Initial audit work has been undertaken as part of the 2009/10 Plan and the intention, as with other large capital projects, is for us to undertake stage audits through until completion of the project.                    | Aktar Choudhary – Assistant Director, Business Transformation            | To be determined | N/A   |
|   |      |  |  |                  |   |
| <b>ONE COUNCIL IMPROVEMENT &amp; EFFICIENCY PROGRAMME (65 Days)</b> |      |  |  |                  |   |
| <b><i>Specific involvement / coverage to be determined</i></b>      | 65   | As detailed in the main body of the report, an approach has already been agreed with regards to the Finance Modernisation project, and work has begun on this as part of the 2009/10 Plan. Further input in respect of this project is expected for 2010/11 and will form part of the 75 day allocation.<br><br>Further areas of coverage will | Phil Newby – Director of Policy & Regeneration / Project Leads           | -                | Draft Report issued in relation to the Strategic Property Review.<br><br>Further work to be determined. |

| AUDIT   | DAYS                        | PROPOSED COVERAGE   | INITIAL KEY CONTACT                            | PROPOSED TIMING  | STATUS AS AT 2 DECEMBER 2010                                |
|---|-----------------------------|---|--|------------------|---|
|   |                             | <p>be discussed and agreed during the course of the year, but may focus on the following three Gold Projects:</p> <ul style="list-style-type: none"> <li>• Strategic Property Review;</li> <li>• Strategic Procurement Review; and</li> <li>• Re-shaping Customer Contact.</li> </ul>   |  |                  |   |
| <b>POLICY &amp; REGENERATION (35 Days) (reduced to 15 days)</b> |                             |   |  |                  |   |
| Local Area Agreement (LAA) – Data Management                    | 15                          | <p>To focus on the controls in place around the management of performance data relating to the LAA, including the collection and compilation of data; validation and checking of data completeness and accuracy; and reporting of data.</p> <p>Previous Internal Audit work has been undertaken in 2008/09 and 2009/10 with regards to the LAA Stretch Targets. Progress against the recommendations made will be assessed as part of this audit.</p> | Cathy Tyson – Assistant Director, Policy       | Qtr 2            | Final Report issued.  |
| Joint Venture – Working Links                                   | 10<br><i>(reduced to 0)</i> | The specific coverage is still to be discussed and agreed with the Assistant Director, Regeneration, but will relate to   | Andy Donald – Assistant Director, Regeneration | To be determined | Audit removed from the Plan on the basis of discussion with |



| AUDIT   | DAYS                        | PROPOSED COVERAGE   | INITIAL KEY CONTACT                            | PROPOSED TIMING          | STATUS AS AT 2 DECEMBER 2010   |
|---|-----------------------------|---|--|--------------------------|--|
|   |                             | the adequacy of the controls being planned and implemented in respect of the planned joint venture with Working Links.  |  |                          | the key contact.   |
| Joint Venture – South Kilburn                 | 10<br><i>(reduced to 0)</i> | The specific coverage is still to be discussed and agreed with the Assistant Director, Regeneration, but will relate to the adequacy of the controls being planned and implemented in respect of the planned joint venture regarding South Kilburn. | Andy Donald – Assistant Director, Regeneration | To be determined         | Audit removed from the Plan on the basis of discussion with the key contact. |
|   |                             |   |  |                          |  |
| <b>COMMUNICATION &amp; DIVERSITY (0 Days)</b> |                             |   |  |                          |  |
| <b>No audits planned at this stage</b>        | <b>0</b>                    |   |  |                          |  |
|   |                             |   |  |                          |  |
|   |                             |   |  |                          |  |
| <b>BOROUGH SOLICITOR (0 Days)</b>             |                             |   |  |                          |  |
| <b>No audits planned at this stage</b>        | <b>0</b>                    |   |  |                          |  |
|   |                             |   |  |                          |  |
| <b>OTHER</b>                                  |                             |   |  |                          |  |
|   |                             |   |  |                          |  |
| <b>Brent Housing Partnership (BHP)</b>        | 135                         | The detailed Plan has been formulated in conjunction with BHP's Director of Finance,  | <i>Separate BHP Plan</i>                       | <i>Separate BHP Plan</i> | N/A  |

| AUDIT  | DAYS      | PROPOSED COVERAGE  | INITIAL KEY CONTACT | PROPOSED TIMING            | STATUS AS AT 2 DECEMBER 2010 |
|--|-----------|--|---------------------|----------------------------|------------------------------|
|  |           | <p>Financial Controller and Financial Operations Manager.</p> <p>The Plan was approved by BHP's Audit &amp; Finance Sub-Committee on 24 March 2010.</p> <p>The total number of days has increased slightly to take account of BHP's expanded role since the purchase of Granville New Homes.</p>   |                     |                            |                              |
| <p><b>Consultation, Communication and Reporting (Deloitte)</b></p> | <p>80</p> | <p>To cover attendance by Deloitte management at meetings across the Council, for example Strategic Finance Group, Schools Causing Financial Concern, and Audit &amp; Investigations Management meetings. Also to cover Deloitte management attendance at Audit Committee meetings and the production of progress reports for these. In addition, to cover Deloitte managements' non-audit specific liaison and communication with officers across the Council on a day-to-day basis and with the Council's external auditors, the Audit Commission. For example, ongoing liaison with Directors and Assistant Directors</p> | <p>N/A</p>          | <p>Throughout the year</p> | <p>In Progress</p>           |

| AUDIT              | DAYS         | PROPOSED COVERAGE   | INITIAL KEY CONTACT  | PROPOSED TIMING                    | STATUS AS AT 2 DECEMBER 2010 |
|--------------------|--------------|---|--|------------------------------------|------------------------------|
|                    |              | regarding any necessary revisions to the Plan and communication of key issues arising from completed internal audit work, and liaison with the Audit Commission regarding their review of completed internal audit work.  |  |                                    |                              |
| <b>Follow-Up</b>   | 40           | Completion of follow-up work as part of the rolling follow-up programme, into which all recommendations raised are added.   | N/A – dependent upon each internal audit to be followed-up | Throughout the year                | In Progress.                 |
| <b>Contingency</b> | 20           | To be allocated to any new developments or new / emerging risk areas during the course of the year.<br>In the event that additional work is required for which insufficient contingency days are available, a decision will be made on whether other lower risk audits can be deferred until 2011/12. | N/A – dependent upon work required                         | N/A – dependent upon work required |                              |
|                    |              |   |  |                                    |                              |
| <b>TOTAL</b>       | <b>1,201</b> |   |  |                                    |                              |

Table 2 – IT Plan

| AUDIT   | DAYS                        | PROPOSED COVERAGE   | INITIAL KEY CONTACT                       | PROPOSED TIMING  | STATUS AS AT 2 December 2010   |
|---|-----------------------------|---|---|--|--|
| Oracle Financials – Extended Follow-Up of Previous Audits<br><i>(changed to a high level follow-up)</i> | 13<br><i>(reduced to 3)</i> | To follow-up on all outstanding recommendations raised across the various audits undertaken in respect of the implementation of Oracle in 2007/08, 2008/09 and 2009/10.<br><br>In addition, in conjunction with management, it will be determined whether there are specific risk areas regarding the application for which additional controls testing and assessment are required.<br><br><i>As agreed with the key contact, this will only now be a high level follow-up of the extent to which previous recommendations have been implemented. It will be based around a self assessment by management, with verification by Internal Audit as appropriate.</i> | Mark Peart – Head of Financial Management | To be determined   | Awaiting completion of the self assessment by management.  |
| Oracle Financials – Single Accounting System (SAS) Migration / Pre-Implementation                       | 10                          | The work will focus on the controls in place around the implementation and migration to the SAS on 1 September 2010.<br><br>Coverage will be determined in conjunction with any non-IT internal audit work to be undertaken surrounding this key migration.   | Mark Peart – Head of Financial Management | Qtr 2/3 (specific timing to be agreed with management around the 1 September 'go live' date) | Final Report issued in respect of the first stage of the work. Draft Report issued for the second stage of the work and waiting for management response. |

| AUDIT   | DAYS                                | PROPOSED COVERAGE  | INITIAL KEY CONTACT                              | PROPOSED TIMING                     | STATUS AS AT 2 December 2010 |
|---|-------------------------------------|--|--|-------------------------------------|------------------------------|
|   |                                     | <i>It has now been agreed that the work should be undertaken in two stages. The first involves examining the Migration Strategy to be followed. The second stage will be undertaken post migration, assessing the extent to which the planned controls were followed.</i>  |  |                                     |                              |
| <i>Oracle Financials – Electronic Payments (BACS)</i>                     | <i>10 (audit added to the Plan)</i> | <i>As requested by the key contact, we have added an audit in respect of the controls in place around the new electronic payments system (BACS).</i>   | <i>Mark Peart – Head of Financial Management</i> | <i>Qtr 2</i>                        | <i>Final Report issued.</i>  |
| <i>Oracle I-Procurement (changed to Oracle Post Implementation Audit)</i> | <i>10</i>                           | <i>Work was previously undertaken in 2009/10 in respect of the I-Procurement module being piloted within Children &amp; Families. Specific coverage for 2010/11 is still to be determined with management, but further work has been requested regarding the full roll-out in conjunction with the SAS. As agreed with the key contact, this has been replaced with a post implementation audit to be undertaken in Qtr 4.</i> | <i>Mark Peart – Head of Financial Management</i> | <i>To be determined (now Qtr 4)</i> | <i>N/A</i>                   |
| <i>Northgate Revenues &amp; Benefits System – hosted</i>                  | <i>10</i>                           | <i>To focus on the controls in place for the Northgate R&amp;B</i>   | <i>Paula Buckley – Head of Client</i>            | <i>To be determined</i>             | <i>Draft Report issued.</i>  |

| AUDIT  | DAYS | PROPOSED COVERAGE  | INITIAL KEY CONTACT   | PROPOSED TIMING  | STATUS AS AT 2 December 2010 |
|--|------|--|---|------------------|------------------------------|
| at West Malling, to be hosted at Brent virtually – Application Audit     |      | application (Council Tax and Housing Benefits. The areas covered in this audit will include access controls, data entry, data processing, data output, interfaces, support and maintenance.  | Team, Revenue and Benefits                                      |                  |                              |
| Manhattan Property Management System (Brent owned) – Application Audit   | 10   | To focus on the application controls in place for the Manhattan Property Management System. The areas covered in this audit will include access controls, data entry, data processing, data output, interfaces, support and maintenance.       | Tony Nixon – Lands Terrier Manager, Property & Asset Management | To be determined | N/A                          |
| Interact – Integrated Payroll and HR System (Logica) – Application Audit | 10   | To focus on the application controls in place for the Interact, integrated payroll and HR system. The areas covered in this audit will include access controls, data entry, data processing, data output, interfaces, support and maintenance. | Barry Hilder – Head of Payroll & Pensions                       | To be determined | In Progress.                 |
| Contender  | 10   | To focus on the application controls in place for the Contender System. The areas covered in this audit will include access controls, data entry, data processing, data output, interfaces, support and maintenance.                           | Graeme Maughan – Business Support Manager, StreetCare           | To be determined | Draft Report issued.         |

| AUDIT  | DAYS | PROPOSED COVERAGE  | INITIAL KEY CONTACT                  | PROPOSED TIMING | STATUS AS AT 2 December 2010 |
|--|------|--|--------------------------------------|-----------------|------------------------------|
| PC & Laptop Controls                           | 10   | <p>An assessment of the PC and laptop asset management and security environment by evaluation and benchmarking of controls established and applied in the following areas:</p> <ul style="list-style-type: none"> <li>• Risk management;</li> <li>• Roles and responsibilities;</li> <li>• Security standards and procedures;</li> <li>• Security configuration settings;</li> <li>• System management trails;</li> <li>• Support and disposal arrangements;</li> <li>• Securing the mobile desktop; and</li> <li>• Technical security policy settings.</li> </ul> | Conrad Chambers<br>– Network Manager | Q4              | Draft Report issued.         |
| Data Protection & Freedom of Information (FOI) | 15   | <p>To assess data protection and freedom of information management arrangements in terms of:</p> <ul style="list-style-type: none"> <li>• Registration;</li> <li>• Ongoing awareness;</li> <li>• Data subject and FOI access request management; and</li> <li>• Management reporting.</li> </ul>   | Raj Seedher                          | Q3              | N/A                          |
| Anti Virus Controls                            | 10   | Computer viruses can infect the Council's IT systems from a  | Conrad Chambers<br>– Network         | Q3              | N/A                          |

| AUDIT                  | DAYS | PROPOSED COVERAGE  | INITIAL KEY CONTACT                     | PROPOSED TIMING | STATUS AS AT 2 December 2010 |
|------------------------|------|--|---|-----------------|------------------------------|
|                        |      | number of sources, including downloads from the internet and e-mail attachments to a user bringing in infected portable media. The result of an infection could range from temporary annoyance due to an increase in processing to the complete shutdown and corruption of the network. The recent trend has also been for systems to be infected with Spyware or programs that can cause re-direction to internet sites or the monitoring of users internet habits but have the effect of slowing down PCs. Virus and Spyware controls are designed to protect the Council's systems from such threats and this audit will assess whether the controls in place are sufficient and appropriately managed. | Manager                                 |                 |                              |
| Network Infrastructure | 20   | The network infrastructure enables users to connect to servers and equipment which is not directly connected to their own physical PC or workstation. This could be on the next desk (as in printers), other rooms, other buildings or even other countries depending on the type of network. A review of the network infrastructure will look   | Conrad Chambers<br>– Network<br>Manager | Q3              | N/A                          |



| AUDIT                  | DAYS | PROPOSED COVERAGE   | INITIAL KEY CONTACT                               | PROPOSED TIMING | STATUS AS AT 2 December 2010 |
|------------------------|------|---|---|-----------------|------------------------------|
|                        |      | at how the Council's network is accessed, how it is supported and monitored and how the network is secured against unauthorised access. As part of the audit we will use a Security Computer Audit Tool called SekChek to look at the Network Server Operating System (O/S) configuration and logical access controls.      |   |                 |                              |
| Mobile Device Security | 10   | This audit will look at the security and management of mobile devices at the Council and will concentrate on policies and procedures, security of mobile devices, management and inventory, usage policy, monitoring of usage and costs, procedures for reporting of lost/stolen device, support and disposal arrangements. | Prod Sarigianis – Business Support Manager        | Q2              | Draft Report issued.         |
| IPTelephony            | 10   | Voice-over Internet Protocol (VoIP) communications can provide excellent value for money but can increase system availability and confidentiality risks as VoIP is supported by a complex environment of standards.<br><br>This audit is designed to assess the adequacy of the controls applied to the VoIP network,       | Conrad Chambers – Network Manager / Prakash Patel | Q2              | In Progress.                 |

| AUDIT                                  | DAYS | PROPOSED COVERAGE   | INITIAL KEY CONTACT  | PROPOSED TIMING | STATUS AS AT 2 December 2010 |
|--|------|---|--|-----------------|------------------------------|
|  |      | <p>which inherits all the vulnerabilities linked with the underlying data network, by evaluation of the following areas:</p> <ul style="list-style-type: none"> <li>• Roles and responsibility;</li> <li>• Security (encryption and physical);</li> <li>• Segmentation and duplicate TCP / IP services;</li> <li>• Class of service;</li> <li>• Change controls; and</li> <li>• Management and support arrangements.</li> </ul>   |  |                 |                              |
| Unix Operating System Server Security, | 7    | <p>An Operating system is an interface between the hardware and applications; it is responsible for the management and coordination of activities and the sharing of the limited resources of the computer. The operating system acts as a host for the application or the database that are run on the machine. Operating systems offer a number of services to application programs and users and as such its security configuration is important to maintain the integrity and availability of the application. As</p> | Chris Shallis – Applications Support and Development Manager | Q3              | Final Report issued.         |

| AUDIT        | DAYS       | PROPOSED COVERAGE  | INITIAL KEY CONTACT | PROPOSED TIMING | STATUS AS AT 2 December 2010 |
|--------------|------------|--|---------------------|-----------------|------------------------------|
|              |            | part of this audit we will look at the security configuration of the operating system. |                     |                 |                              |
| <b>TOTAL</b> | <b>155</b> |  |                     |                 |                              |

**Table 3 – BHP Plan**

| AUDIT  | DAYS | PROPOSED COVERAGE  | KEY CONTACT  | PROPOSED TIMING | STATUS AS AT 31 JULY 2010                                      |
|--|------|--|--|-----------------|--|
| Housing Repairs & Maintenance (responsive repairs) | 12   | Annual systems audit focussing on key controls and any systems changes. Inclusion on an annual basis is required in order to inform the work of the Council's external auditors. | Umesh Natalia – Head of Responsive Repairs   | Qtr 3           | N/A  |
| Housing Rents                                      | 12   | Annual systems audit focussing on key controls and any systems changes. Inclusion on an annual basis is required in order to inform the work of the Council's external auditors. | David Bishopp – Rent Accounting & Performance Manager  | Qtr 3           | Audit postponed to March 2010 due to staffing and other issues |
| Rent Arrears Management                            | 10   | To focus on controls over strategy & prevention; identification of arrears; follow up; referrals; debt write-off; management reporting and performance management.               | Sandra Royer – Director of Housing Management / Janis Robert Edwards – Head of General Needs | Qtr 2/3         | WIP – Draft report to be issued                                |
| Budgetary Control                                  | 6    | To focus on controls in place over budget setting and approval; budget upload; budget monitoring and reporting; and budget alterations and virements.                            | Greg Tremain – Financial Controller / David Babarinsa – Financial Operations Manager         | Qtr 1/2         | Draft Report.  |
| Internal Financial Controls                        | 15   | Annual audit focussing on key financial controls operating within BHP and the extent to which Financial Regulations are being complied with. Specific areas of focus include the | Greg Tremain – Financial Controller / David Babarinsa – Financial Operations                 | Qtr 4           | To be arranged for early January 2011                          |


| AUDIT  | DAYS | PROPOSED COVERAGE   | KEY CONTACT   | PROPOSED TIMING | STATUS AS AT 31 JULY 2010 |
|--|------|---|---|-----------------|---------------------------|
|  |      | <p>raising of invoices; receipt of income; debt recovery and write-off; payments; BACs and cheque controls; journals; and reconciliations.</p> <p>For 2010/11, specific coverage with regards to Granville New Homes will also be discussed and agreed with management. The planned days have been increased to reflect this.</p>   | Manager   |                 |                           |
| HR & Recruitment   | 10   | To focus on controls over recruitment justification; job evaluation and person specifications; advertising of vacancies; shortlisting; assessment and selection interviews; employment checks; and induction.   | Sejal Karia –<br>Human Resources<br>Manager   | Qtr 2           | Draft Report              |
| Resident Involvement<br><i>(Changed to Residents Associations)</i> | 15   | <p>To focus on controls in place within Neighbourhood Services to manage the relationships and oversee the operation of Resident Associations (RAs) and Tenant Management Organisations (TMOs).</p> <p>In addition, in conjunction with the key contacts named opposite, we will identify a sample of RAs and TMOs for which we will assess the adequacy and/or effectiveness</p> | Linda Footer –<br>Head of<br>Governance &<br>Communications /<br>Christina Byrne –<br>Neighbourhood<br>Services Manager | Qtr 2           | Final Report              |

| AUDIT                        | DAYS | PROPOSED COVERAGE  | KEY CONTACT   | PROPOSED TIMING  | STATUS AS AT 31 JULY 2010 |
|------------------------------|------|--|---|------------------|---------------------------|
|                              |      | <p>of controls in place within them, with regards to key elements of their management and administration.</p> <p>An audit of 'Resident Involvement' was last undertaken in 2008/09, but the planned focus for 2010/11 differs to that previously followed.</p> <p><i>As agreed with the key contacts, this work is now focusing solely on the operations of Residents Associations.</i></p>  |   |                  |                           |
| Major Works (contract audit) | 33   | <p>Contract audit work in relation to major works projects has been undertaken across the 2008/09 and 2009/10 financial years. To date this has been undertaken outside of the Internal Audit Plan, as a programme of additional work, as approved by the Sub-Committee.</p> <p>For 2010/11, this allocation of days is being included within the Plan, from which specific contracts will be identified for coverage as appropriate.</p> <p>On the basis of the quantity of work undertaken to date and ongoing discussions with management, it is anticipated that the amount of work required</p> | Gerry Doherty – Chief Executive / Gary Chase – Director of Finance / Andros Loizou – Senior Project Manager / Shaun Gillam – Senior Project Manager | To be determined | N/A                       |

| AUDIT   | DAYS | PROPOSED COVERAGE   | KEY CONTACT | PROPOSED TIMING     | STATUS AS AT 31 JULY 2010 |
|---|------|---|-------------|---------------------|---------------------------|
|   |      | will exceed this allocation. If necessary, further additional days will be utilised to accommodate this.  |             |                     |                           |
| Contingency   | 10   | To be allocated to any new developments or new / emerging risk areas during the course of the year.<br>Potential areas of coverage may arise in respect of the management of Granville New Homes.<br>In the event that no areas are identified as requiring further coverage, the days will be used to offset any additional contract audit work undertaken on major works projects, in excess of the planned days above. | N/A         | To be determined    | N/A                       |
| <b>Consultation, Communication, Reporting and Follow-Up</b> | 12   | To cover attendance by Internal Audit management at Audit & Finance Sub-Committee meetings and the production of progress reports for these. In addition, to cover managements' non-audit specific liaison and communication with officers during the course of the year, for example ongoing liaison regarding any necessary revisions to the Plan and communication of key issues arising from completed internal       | N/A         | Throughout the year | In Progress.              |

| AUDIT        | DAYS       | PROPOSED COVERAGE   | KEY CONTACT | PROPOSED TIMING | STATUS AS AT<br>31 JULY 2010 |
|--------------|------------|---|-------------|-----------------|------------------------------|
|              |            | <p>audit work.</p> <p>In addition, completion of follow-up work on all recommendations raised and agreed as part of the 2008/09 BHP Internal Audit Plan, where the same audits are not being undertaken again as part of the 2009/10 Plan. Also, to follow-up on any further actions raised as part of the 2008/09 follow-up work as being necessary to fully implement recommendations from 2007/08 internal audits.</p> |             |                 |                              |
| <b>TOTAL</b> | <b>135</b> |   |             |                 |                              |



|   |   |
|---|---|
|  <p>The logo of Brent Council, featuring a central coat of arms with a shield, a crown, and two lions, surrounded by the words 'BRENT' at the top and 'COUNCIL' at the bottom in a circular arrangement.</p> | <p><b>Audit Committee</b><br/>16 December 2010</p> <p><b>Report from the Director of<br/>Finance and Corporate Services</b></p> |
| For Information   | Wards affected:<br>ALL  |
| <p><b>Regulation of Investigatory Powers Act 2000 – Review of<br/>the use of Surveillance and CHIS</b></p>  |   |

## 1. Summary

- 1.1. The purpose of this report is to advise members on the council's use of covert surveillance and covert human intelligence sources (CHIS) for 2009/10 and the period April 2010 to November 2010. The report also seeks approval for the council's policies on the use of these techniques.

## 2. Recommendations

- 2.1. The Audit Committee note the content of the report.

## 3. Detail

### Background

- 3.1. This report is the second annual report on surveillance activity. The first report was issued in December 2009<sup>1</sup>. These reports are intended to address the oversight role set out in the Home Office Codes of Practice<sup>2, 3</sup>. "Best Practice," as set out in paragraph 3.30 of the Code requires that elected members should review the use of directed surveillance and set the policy at least once a year. The Code also requires that members consider "internal reports" on the use of surveillance and chis on a quarterly basis to ensure they are being used in accordance with the council's policy and that the policies remain fit for purpose.
- 3.2. These are new requirements arising from concerns that some local authorities were misusing the powers following significant negative publicity in the latter part of 2008. The publicity was led, primarily, by the Daily Telegraph and, although, much of the coverage was misleading, the Home Office responded with a review of the RIPA legislation and issued a consultation on whether the

powers should be used by Local Authorities, for what and who should authorise them. The consultation ended in July 2009 and the new codes of practice came into force on 6<sup>th</sup> April 2010.

- 3.3. Furthermore, the coalition government's manifesto committed to limiting the surveillance powers of local authorities to "serious crime" with a requirement to gain authorisation from a magistrate. A new RIPA Review was therefore undertaken by Lord Donaldson QC and an announcement is expected imminently in this regard.
- 3.4. The main thrust of the negative publicity was that councils were inappropriately using powers conferred for anti-terrorism purposes to investigate minor offences. Although the coverage misrepresents the purpose of the legislation, which makes no mention of anti-terrorist activity, it was the case that a small number of authorities were using surveillance for what were, considered to be, trivial matters. Of particular concern was the use of surveillance by Poole Council to follow a family to determine whether or not they had misrepresented their permanent address on a school admission application. In July 2010 the Investigatory Powers Tribunal ruled that surveillance in such circumstances was inappropriate, determining that there must be real intent to bring criminal proceedings if surveillance is to be authorised.

### **Control of Surveillance**

- 3.5. RIPA and the Codes of Practice require certain procedures to be followed and considerations to be given prior to surveillance being authorised. The authorisation has to be done by a designated officer and there are safeguards in place regulating the length of time an operation can be authorised for and to ensure there is ongoing review of live operations.
- 3.6. RIPA also created the Office of Surveillance Commissioners (OSC) to carry out oversight on behalf of the Government to ensure the powers were being used appropriately. The Commissioners carry out regular on site inspections and the council has been the subject of four inspections, with a fifth due in February 2011.
- 3.7. Local authorities are permitted, under RIPA, to conduct a number of covert activities. These are: Directed surveillance, Covert Human Intelligence Sources (CHIS) and obtaining communication subscriber and traffic data. Councils may not conduct intrusive surveillance, which is surveillance conducted in any private place. Neither may councils obtain the content of communications, i.e. listen into phone calls or intercept emails. The surveillance methods available are:
  - Directed surveillance - covert monitoring of individuals in a public place for the purposes of a specific investigation. It does not include general CCTV use, although CCTV used to monitor specific individuals would constitute directed surveillance.
  - CHIS - any person, either employed directly by the council or a third

party informant who is directed by the council to obtain and provide information about the subject of an investigation.

- Communication data - details of the subscriber to a telephone or email account or records of calls made from a specific telephone number.
- 3.8. The council has a policy and procedure manual which has been issued to all units who conduct surveillance. This manual covers the procedures for the authorisation of directed surveillance, covert human intelligence sources and accessing communications data. The manual also covers issues of proportionality, necessity, collateral intrusion and the right to privacy. The policy will be subject to review following the next OSC inspection and will subsequently be submitted to this committee for approval.
- 3.9. The procedure is effectively governed by the legislation and statutory guidance. Each surveillance operation must be authorised by an authorising officer. The key tests are whether the authorising officer considers the surveillance to be necessary (surveillance is used only as a last resort and all other avenues of investigation have been explored), proportionate (the level of intrusion is balanced against the seriousness of the alleged criminal offence) and that issues of collateral intrusion (the intrusion into innocent third parties) have been considered. These tests must all be applied prior to authorisation and the authorising officer is required to state, on the application form, what they have considered and what surveillance activity is being authorised. Operatives must remain within the scope of the application.
- 3.10. Details of all surveillance operations are held on a central record maintained by Legal Services. Surveillance cannot take place without a unique reference number being issued by Legal Services. Copies of authorisations and all subsequent forms are kept with Legal Services for audit purposes. Legal Services conduct periodic audits to ensure the relevant tests are being applied.

### **Surveillance Activity**

- 3.11. Between 1<sup>st</sup> April 2009 and 31<sup>st</sup> March 2010, 26 authorisations were given for directed surveillance. A further 11 have been authorised in the period 1<sup>st</sup> April 2010 to 30<sup>th</sup> November 2010. These are summarised in table 1 below together with a comparison against previous years' figures. There have been no authorisations for Covert Human Intelligence Sources (CHIS):

| Service Unit             | 2007/08   | 2008/09  | 2009/10  | 2010/11  |
|--------------------------|---|--|--|--|
| Trading Standards        | 12<br>Counterfeiting, under age sales, licensing  | 22<br>Counterfeiting (9)<br>Under age sales (13)   | 17<br>Counterfeiting, under age sales, licensing, Fraud.                                   | 7<br>Under age sales (4)<br>Counterfeiting (2)<br>Unsafe Goods (1) |
| Audit and Investigations | 10<br>Housing Benefit Fraud (3)<br>Housing Sub-Letting (4)<br>False ill-health claim (1)<br>Blue Badge Misuse (2) | 10<br>Housing Benefit Fraud (2)<br>Housing (5)<br>Direct Payments (1)<br>Blue Badge Misuse (3) | 7<br>2 Blue Badge<br>2 Fraudulent Council tenancy<br>3 Housing & Council Tax Benefit Fraud | 1<br>Blue Badge  |
| Housing                  | 5<br>Anti-Social Behaviour (5)  | 3<br>Anti-Social Behaviour (3)   | 1<br>Anti-Social Behaviour (1)   |  |
| Social Services          | 1<br>Child Protection (1)   | 2<br>Child Protection (2)  | 0  |  |
| Streetcare               |   |  | 1<br>Criminal Damage [Graffiti]  | 3<br>Commercial Fly Tipping  |
| Total                    | 28  | 37   | 26   | 11   |

**Table 1 – Surveillance Operations by Service Area April 2007 to November 2010**

3.12. Due to differences in case management systems and availability of historic case records, it is not possible to give a complete picture of the results of all surveillance exercises over time. Of the 24 operations run by Trading Standards since 2009/10, 21 of these have resulted in convictions. Specific results are set out below:

- The Trading Standards Service secured confiscation of £254,000 from a market trader after he was caught dealing in counterfeit goods. This order was made under the Proceeds of Crime Act 2002 and gave him six months to pay or face imprisonment. His three houses, a business premise, a 6 series BMW and thousands of pounds in various bank accounts were frozen as part of this investigation.
- A trader who sold fake designer clothing was sentenced to 150 hours of unpaid work and ordered to pay £1,000 in costs.
- 7 people were arrested as a result of a joint operation with the Police investigating fraudulent parking especially on event days around the Wembley Stadium area. The police have since secured a large number of successful convictions as a result.
- A market trader, whose stock of fake jewellery was seized and forfeited was ordered to wear an electronic tag and remain under curfew at his house between 8.00pm and 5.00am for 12 weeks and was also ordered to pay £800 to Trading Standards towards the cost of bringing the prosecution.
- An employee of a local retailer was fined £750 for selling alcohol to children aged 13 and 14. In another case, a local shopkeeper was fined and ordered to pay costs amounting to £857 for selling cigarettes to a 15 year old child.

- 3.13. The Audit and Investigations Team have conducted 71 operations since April 2003 in which the case has been closed. Of these, 24 resulted in no further action. Of the remaining 47 cases, 15 resulted in criminal convictions for benefit fraud in excess of £900,000, 14 council properties were recovered and four right to buy applications refused, 5 staff were either dismissed or resigned for fraud and a further 13 cases resulted in some other form of sanction.

#### **4. Financial Implications**

- 4.1. None

#### **5. Legal Implications**

- 5.1. Statutory Instrument 521 of 2010, to be read in conjunction with the Codes of Practice on Covert Surveillance and Property Interference, paragraph 3.29, requires the appointment of a Senior Responsible Officer. This officer must be a member of the corporate leadership team (CMT) and should be responsible for ensuring that all authorising officers are of an appropriate standard. The council's SRO is currently the Head of Legal and Procurement.

#### **6. Diversity Implications**

- 6.1. None

#### **7. Background Papers**

1. Report from the Director of Finance and Corporate Resources to the Audit Committee. 17<sup>th</sup> December 2009. *Use of Directed Surveillance*
2. Home Office (2009). *Covert Surveillance and Property Interference. Revised Codes of Practice*. Retrieved 2<sup>nd</sup> December 2010 from:  
<http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-codes-of-practice/>
3. Home Office (2009). *Covert Human Intelligence Sources. Revised Codes of Practice*. Retrieved 2<sup>nd</sup> December 2010 from:  
<http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-codes-of-practice/>
4. Local Government Association (2008). *Letter to all council leaders*

#### **8. Contact Officer Details**

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Telephone – 020 8937 1260

**Clive Heaphy**  
**Director of Finance and Corporate Services**

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